

HV 6775

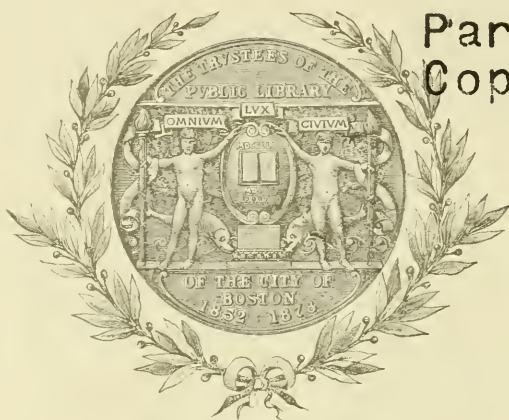
.A53

pt. 2

Copy 2

No. HV6775. A53

Part 2
Copy 2



blue book

*HV 6775-453
pt. 2*

**INVESTIGATION OF ORGANIZED CRIME
IN INTERSTATE COMMERCE**

copy 2

HEARINGS

BEFORE THE

**SPECIAL COMMITTEE TO INVESTIGATE
ORGANIZED CRIME IN INTERSTATE COMMERCE
UNITED STATES SENATE
EIGHTY-FIRST CONGRESS**

SECOND SESSION

PURSUANT TO

S. Res. 202

A RESOLUTION AUTHORIZING AN INVESTIGATION OF
ORGANIZED CRIME IN INTERSTATE COMMERCE

PART 2

JUNE 22, 23, 28; JULY 6, 7; AUGUST 16, 1950

FEDERAL COMMUNICATIONS COMMISSION

UNITED STATES POST OFFICE

BUREAU OF PRISONS

UNITED STATES TREASURY

HON. LUTHER YOUNGDAHL, Governor of Minnesota

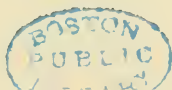
**VIRGIL W. PETERSON, Operating Director,
Chicago Crime Commission**

**WARREN OLNEY, Attorney, Former Counsel, State of California
Special Crime Study Commission on Organized Crime**

Printed for the use of Special Committee To Investigate
Organized Crime in Interstate Commerce

**UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1950**

*7828
4*



HV6775. A53

Part 2

Copy 2

SPECIAL COMMITTEE TO INVESTIGATE ORGANIZED CRIME IN
INTERSTATE COMMERCE

ESTES KEFAUVER, Tennessee, *Chairman*

HERBERT R. O'CONOR, Maryland

CHARLES W. TOBEY, New Hampshire

LESTER C. HUNT, Wyoming

ALEXANDER WILEY, Wisconsin

RUDOLPH HALLEY, *Chief Counsel*

CONTENTS

Testimony of—	Page
Anslinger, Harry, Chief, Narcotics Bureau, United States Treasury--	66,
	88-96, 104-105
Avis, Dwight E., Assistant Deputy Commissioner, Enforcement, Alcohol Tax Unit, United States Treasury-----	66, 84-88
Baughman, U. E., Chief, United States Secret Service-----	66, 97-100
Bennett, James V., Director, Bureau of Prisons, accompanied by H. G. Moeller, Supervisor, Juvenile Branch, Bureau of Prisons, Department of Justice-----	49-64
Bolich, Daniel A., Assistant Commissioner, Bureau of Internal Revenue, accompanied by Charles Oliphant, assistant general counsel, United States Treasury, and chief counsel, Bureau of Internal Revenue-----	66, 20-83
Coy, Wayne, Chairman, Federal Communications Commission, Washington, D. C.-----	4-31
Foley, Hon. E. H., Under Secretary of the Treasury, accompanied by Thomas J. Lynch, general counsel, United States Treasury-----	64-70, 81-83, 88, 97, 104, 107-109
Garner, Clifton C., Chief Post Office Inspector, accompanied by Peter J. Connolly, assistant solicitor, United States Post Office----	33-49
Maloney, James J., Chief Coordinator, United States Treasury Law Enforcement Agencies-----	105-108
Olney, Warren, attorney, former counsel, State of California Special Crime Study Commission on Organized Crime-----	215-241
Peterson, Virgil W., operating director, Chicago Crime Commission, representing the American Municipal Association-----	125-213
Strubinger, David E., Assistant Commissioner of Customs, accompanied by Chester A. Emerick, Deputy Commissioner of Enforcement, Bureau of Customs-----	66, 100-104
Woolf, W. H., Chief, Intelligence Unit, Bureau of Internal Revenue, United States Treasury-----	66, 108-109
Youngdahl, Hon. Luther W., Governor of the State of Minnesota--	111-125
Schedule and summary of exhibits-----	iv
Thursday, June 22, 1950-----	i
Friday, June 23, 1950-----	32
Wednesday, June 28, 1950-----	65
Thursday, July 6, 1950-----	111
Friday, July 7, 1950-----	157
Wednesday, August 16, 1950-----	215
Appendix-----	243

SCHEDULE OF EXHIBITS

Number and summary of exhibits	Introduced on page	Appears on page
1. Statement of Hon. Wayne Coy, Chairman, Federal Communications Commission, before Senate Committee on Interstate and Foreign Commerce, Apr. 24, 1950-----	4	(¹)
2. Editorial of Apr. 16, 1950, from the Miami Daily News-----	27	243
3. Names of sponsors of racing newscasts in Washington, D. C., furnished by Wayne Coy, FCC-----	31	(¹)
4. 18 U. S. C., Crimes and Criminal Procedure; ch. 41, Extortions and Threats; secs. 871, 876, and 877-----	34	244
5. 18 U. S. C., ch. 61, sec. 1301, re mailing of lottery tickets, and sec. 1303, re postmaster or employee as lottery agent-----	34	245
6. 18 U. S. C., ch. 63, sec. 1341-42 re mail fraud-----	34	246
7. 18 U. S. C., ch. 71, sec. 1461, re mailing obscene or crime-inciting matter-----	34	246
8. 18 U. S. C., ch. 71, sec. 1463, re mailing indecent matter on wrappers or envelopes-----	34	247
9. 18 U. S. C., ch. 83, sec. 1716, re sending of dangerous substances through the mails-----	34	247
10. Letter from Clifton C. Garner, Chief Post Office Inspector, to committee, dated June 23, 1950-----	40	248
11. Additional cases furnished by Clifton C. Garner, illustrating Post Office action against violators of postal lottery statutes-----	46	249
12. Chart furnished by James V. Bennett, Director, Bureau of Prisons, entitled "All Sentenced Federal Prisoners Received From the Courts, by Offense, Fiscal Years Ended June 30, 1937 to 1949"-----	54	251
13. Chart furnished by James V. Bennett, entitled "Percentage of Repeaters"-----	55	252
14. Chart furnished by James V. Bennett, entitled "Average Sentences by Offense and Judicial Circuit and District, of Federal Prisoners received From the Courts, Fiscal Year Ended June 30, 1949"-----	58	253
15. Graph and chart furnished by James V. Bennett, showing prisoners in State and Federal prisons and reformatories, for the United States: 1939 to 1948-----	58	258
16. Table furnished by James V. Bennett, entitled "Federal Prisoners Received From the Courts for Violation of Income Tax Laws, Fiscal Years ended June 30, 1944 to 1950"-----	58	260
17. An act relating to licenses for the carrying on of any business, trade, vocation, or commercial enterprise, and providing for revocation of licenses by reason of the operation of gambling devices, as enacted by the Legislature of the State of Minnesota-----	117	260
18. Formal petition filed by the Public Utilities Commission of the State of California, before the Federal Communications Commission, Washington, D. C., dated October 4, 1948-----	238	262

¹ On file with committee.

INVESTIGATION OF ORGANIZED CRIME IN INTERSTATE COMMERCE

THURSDAY, JUNE 22, 1950

UNITED STATES SENATE,
SPECIAL COMMITTEE TO INVESTIGATE
ORGANIZED CRIME IN INTERSTATE COMMERCE,
Washington, D. C.

The committee met, pursuant to call of the chairman, at 10:15 a. m., in room 457, Senate Office Building, Senator Estes Kefauver, chairman, presiding.

Present: Senators Kefauver, Hunt, and Wiley.

Also present: Rudolph Halley, chief counsel; George S. Robinson, associate counsel; Alfred M. Klein, assistant counsel; and Harold G. Robinson, chief investigator.

The CHAIRMAN. The committee will come to order.

We do not have a quorum for the purpose of hearing testimony. Senator Wiley, the other member of the committee, is in the city and will be here shortly.

I would like at this time to introduce to those here our associate counsel, Mr. George Robinson, who has just come with the committee. He has very valuable experience which we think will be helpful to the committee in its investigation.

I would also like to introduce Mr. Alfred Klein, of Philadelphia, who is an attorney and who is also experienced in press relations. He has had an eminent career as a gentleman of the press with the Philadelphia Record and has also written extensively.

We had asked the Attorney General of the United States and the head of the Criminal Division, Mr. McInerney, and the Director of the Federal Bureau of Investigation to start our public hearings. The Attorney General, as you may know, has sent out a good many inquiries to district attorneys throughout the country to get information about alleged criminal syndicates in their sections and also individuals who are alleged to be engaged in interstate criminal activities. The Attorney General, Mr. McInerney, and Mr. Hoover felt that inasmuch as all the information has not been received and they are still assimilating the data from their inquiries, and also since Mr. McGrath testified before the Commerce Committee some time back, their testimony would be of more value after the answers had been received and classified and assimilated.

I have a letter from the Attorney General which I wish to put in the record at this point, and I will read it for the information of the public. It is addressed to me as chairman.

OFFICE OF THE ATTORNEY GENERAL,
Washington, D. C., June 20, 1950.

Hon. ESTES KEFAUVER,
United States Senate, Washington, D. C.

MY DEAR SENATOR: I appreciate your kind invitation to appear on Wednesday, June 21, 1950, before the special committee, created pursuant to Senate Resolution 202, to study and investigate whether organized crime utilizes the facilities of interstate commerce or otherwise operates in interstate commerce in furtherance of any transactions which are in violation of Federal or State law.

As you know, several weeks ago the Department wrote to the various United States attorneys with respect to the possible existence and operations of so-called national crime syndicates. Each United States attorney was requested to furnish all available information indicating whether or not any such syndicates were operating in his district, as well as whether any of the persons who have been characterized, by one source or another, as large-scale gamblers or overlords of the underworld appear to be active in his district.

From the replies received to date the general theme is beginning to emerge, but since they are by no means complete, and as the task of assembling and correlating the information in usable form requires considerable time, I am not yet in a position to draw any conclusions. The latter, as well as possible suggestions for proposed legislation, would still be premature.

I anticipate that the Department will compile considerable information which will be helpful to your committee. The matter, of course, is one of major interest to the Department and we desire to cooperate to the best of our ability. You will appreciate, however, that my testimony at this time could hardly make a worth-while contribution to your committee. Needless to say, I will be happy to appear at a later date and will look forward to such an opportunity.

Sincerely yours,

J. HOWARD McGRATH, *Attorney General.*

Also, Federal Register of Tuesday, June 20, 1950, carries the President's Executive Order 10132 with reference to permission to the committee and its staff to examine certain tax returns, which will be placed in the record at this point; also the President's letter to all executive departments and agencies of June 17, 1950, which asks them to cooperate in every way possible in the work of the committee; as well as Treasury Decision 5793 related thereto.

(The matter referred to follows:)

TITLE 3—THE PRESIDENT

EXECUTIVE ORDER 10132

INSPECTION OF INCOME, EXCESS-PROFITS, DECLARED VALUE EXCESS-PROFITS, CAPITAL STOCK, ESTATE, AND GIFT TAX RETURNS BY THE SENATE SPECIAL COMMITTEE TO INVESTIGATE ORGANIZED CRIME IN INTERSTATE COMMERCE

By virtue of the authority vested in me by sections 55 (a), 508, 603, 729 (a), and 1204 of the Internal Revenue Code (53 Stat. 29, 111, 171; 54 Stat. 989, 1008; 55 Stat. 722; 26 U. S. C. 55 (a), 508, 603, 729 (a), and 1204), it is hereby ordered that any income, excess-profits, declared value excess-profits, capital stock, estate, and gift tax returns for any period to and including 1949 shall be open to inspection by the Special Committee established pursuant to Senate Resolution 202 (81st Congress, 2d Session), for the purpose of carrying out the provisions of the said Senate Resolution, subject to the conditions stated in the Treasury decision relating to the inspection of such returns by that Committee, approved by me this date.¹

This Executive order shall be effective upon its filing for publication in the FEDERAL REGISTER.

HARRY S. TRUMAN

THE WHITE HOUSE,
June 17, 1950.

[F. R. Doc. 50-5371; Filed, June 19, 1950; 10:32 a. m.]

¹ See T. D. 5793, Title 26, Chapter I, *infra*.

LETTER OF JUNE 17, 1950

[COOPERATION OF DEPARTMENTS AND AGENCIES WITH SENATE SPECIAL CRIME INVESTIGATING COMMITTEE]

To the Heads of All Executive Departments and Agencies:

The Senate Special Crime Investigating Committee has been established to study and investigate whether organized crime utilizes the facilities of interstate commerce or otherwise operates in interstate commerce in furtherance of any transactions which are in violation of the law of the United States or of the State in which the transactions occur. I strongly favor the objectives of the Committee and I am hopeful that its work will produce constructive recommendations and results.

It is my desire that the Executive branch of the Government cooperate with the Committee to the fullest possible extent. I therefore request that all departments and agencies give Chairman Kefauver and his committee the fullest cooperation and assistance consistent with the orderly performance of the work and duties of the departments and agencies and subject only to jurisdictional and appropriation limitations.

HARRY S. TRUMAN

THE WHITE HOUSE,
June 17, 1950.

[F. R. Doc. 50-5370 ; Filed, June 19, 1950 ; 10 : 31 a. m.]

TITLE 26—INTERNAL REVENUE

CHAPTER I—BUREAU OF INTERNAL REVENUE, DEPARTMENT OF THE TREASURY

Subchapter E—Administrative Provisions Common to Various Taxes (T. D. 5793)

Part 45S—Inspection of Returns

INSPECTION OF INCOME, EXCESS-PROFITS, DECLARED VALUE EXCESS-PROFITS, CAPITAL STOCK, ESTATE, AND GIFT TAX RETURNS BY THE SENATE SPECIAL COMMITTEE TO INVESTIGATE ORGANIZED CRIME IN INTERSTATE COMMERCE.

45S.305 Inspection of returns by Senate Special Committee to investigate organized crime in interstate commerce.

Pursuant to the provisions of sections 55 (a), 508, 603, 729 (a), and 1204 of the Internal Revenue Code (53 Stat. 29, 111, 171 ; 54 Stat. 989, 1008 ; 55 Stat. 722 ; 26 U. S. C. 55 (a), 508 ; 603, 729 (a), and 1204), and of the Executive order issued thereunder, any income, excess profits, declared value excess-profits, capital stock, estate, and gift tax returns for any period to and including 1949 shall be open to inspection by the Special Committee established pursuant to Senate Resolution 202 (81st Congress, 2d Session), or any duly authorized subcommittee thereof, for the purpose of carrying out the provisions of the said Senate Resolution.

The inspection of returns herein authorized may be made by the committee or a duly authorized subcommittee thereof, acting directly as a committee or as a subcommittee, or by or through such examiners or agents as the committee or subcommittee may designate or appoint in its written request hereinafter mentioned. Upon written request by the chairman of the committee or of the authorized subcommittee to the Secretary of the Treasury, giving the names and addresses of the taxpayers whose returns it is necessary to inspect and the taxable periods covered by the returns, the Secretary and any officer or employee of the Treasury Department shall furnish such committee or subcommittee with any data relating to or contained in any such return, or shall make such return available for inspection by the committee or subcommittee or by such examiners or agents as the committee or subcommittee may designate or appoint, in the office of the Commissioner of Internal Revenue. Any information thus obtained by the committee or subcommittee thereof shall be held confidential: *Provided, however,* That any portion or portions thereof relevant or pertinent to the pur-

pose of the investigation may be submitted by the committee to the United States Senate.

Because of the immediate need of the said Special Committee to inspect the tax returns herein mentioned, it is found that it is impracticable and contrary to the public interest to issue this Treasury decision with notice and public procedure thereon under section 4 (a) of the Administrative Procedure Act, approved June 11, 1946, or subject to the effective date limitation of section 4 (c) of said act.

This Treasury decision shall be effective upon its filing for publication in the Federal Register.

(53 Stat. 467; 26 U. S. C. 3791.)

JOHN W. SNYDER,
Secretary of the Treasury.

Approved: June 17, 1950.

HARRY S. TRUMAN,
The White House.

[F R. Doc. 50-5372; Filed, June 19, 1950; 10:32 a. m.]

The CHAIRMAN. Tomorrow at 10 o'clock Mr. Garner, the Chief Post Office Inspector, will be here to testify. Following him, Mr. James V. Bennett, who is the Director of the Bureau of Prisons and also chairman of the American Bar Association's committee on organized crime, will testify. That will be the schedule of hearings for this week.

Mr. Coy is a little late. He called the chairman and said that due to the short time he had to prepare his statement, the last two or three pages had not been typed, so he will be here presently.

(Brief recess.)

The CHAIRMAN. The committee is delighted to have with us this morning Mr. Wayne Coy, the Chairman of the Federal Communications Commission. Mr. Coy appeared before the Committee on Interstate and Foreign Commerce about 6 weeks ago and his statement before that committee will be made exhibit No. 1 to his testimony here.

(The document referred to is on file with the committee.)

The CHAIRMAN. Mr. Coy, the rules of our committee require that all witnesses be sworn. You have no objection. Do you solemnly swear that the testimony you give to this committee will be the whole truth and nothing but the truth, so help you God?

Mr. Coy. I do.

The CHAIRMAN. Mr. Coy, you have a prepared statement, which you may give at this time.

TESTIMONY OF WAYNE COY, CHAIRMAN, FEDERAL COMMUNICATIONS COMMISSION, WASHINGTON, D. C.

Mr. Coy. Mr. Chairman, before beginning with my statement, I would like to offer my apologies to your committee for being late this morning.

The CHAIRMAN. Mr. Coy, I had already explained that you were very obliging to the committee to come on rather short notice. We had you scheduled to come later, but because the Attorney General, Mr. McInerney, and Mr. Hoover felt that they could be of more service if they came later, you were very gracious to fill in at this time and come as the first witness, which we appreciate.

Mr. COY. Thank you very much. That is the situation that made me late. I had to have a little time this morning to type my statement.

The CHAIRMAN. Before you get started, Mr. Coy, on behalf of the committee we want to thank you and express our appreciation for your cooperation in asking that the telephone companies preserve their toll charges and other records which they might ordinarily not keep, and also the wire companies, Western Union and others.

Mr. COY. I assure you that we are glad to cooperate, and anything else that we can do, we shall be very glad to do.

Mr. Chairman, I have been invited by your committee to open its hearings here in Washington with a statement as to my views concerning the extent to which communication facilities and services may be used in the furtherance of transactions which violate Federal or State laws.

I should have said before beginning this statement that I have a limited number of copies at the moment. Additional copies, numbering six or seven additional copies, will be here within the next 10 or 15 minutes, and I hope to have mimeographed copies of my statement here before concluding this morning's session so that you may make them available to the press, if that is your wish.

The CHAIRMAN. I am sure the members of the press understand. I am sorry we do not have them now but I think every one will understand.

Mr. COY. Since telephone and telegraph are among the principal instrumentalities of interstate commerce, it could be expected that they would play a major role in any form of organized crime. One aspect of this problem which has been the subject of proposed legislation by the Senate relates to the rapid transmission and dissemination of gambling information in interstate commerce by communications facilities. This activity is not at present a violation of any Federal law; however, it is essential to the successful conduct of the illegal business known as bookmaking. Although gambling on the outcome of horse races is now permitted in 27 States within enclosed race tracks upon the payment of an admission fee, 47 of the 48 States make off-the-track betting on the same events illegal. It has been estimated that the total amount of money bet off the track ranges from \$3,000,000,000 to \$10,000,000,00 annually. The very magnitude of these amounts and the illegal aspects of the matter would appear to indicate a need for your committee to inquire into the methods by which bookmaking is enabled to flourish on so large a scale and the extent to which these illegal operations may be fostered or nurtured by organized criminal activities of concern to this committee.

The Federal Communications Commission in 1943 conducted an investigation into the extent to which communication facilities were being utilized in the dissemination of gambling information. I should like to emphasize that this investigation was ex parte in nature and was conducted primarily to ascertain the impact of such nonessential uses upon the Nation's wartime communications requirements. It can be assumed, however, that in general the report drafted by the investigating staff at that time is indicative of the role being played today by communications facilities in such gambling activities.

Copies of this report are being made available to members of your committee. It is entitled "Staff Report on Extent of Communication Facilities Used in Dissemination of Racing Information."

I have previously handed copies of that report to Mr. Halley. This report was likewise made available to the Senate Committee on Interstate and Foreign Commerce, and at that time was made available to the press.

From the information contained in that report and from the hearings held during the current session of Congress by the Senate Committee on Interstate and Foreign Commerce with respect to S. 3353, a bill to prohibit the transmission of certain gambling information in interstate and foreign commerce by communications facilities, it is clear that the principal disseminator of racing information used by illegal bookmakers is the Continental Press Service. Continental supplies sports information of all kinds but specializes in up-to-the-minute racing news. The service operates through the leasing by itself and its distributors of 23,000 miles of telegraph circuits from the Western Union Telegraph Co. whose income from leases of this type is close to \$1,000,000 annually. These circuits connect to 24 primary or regional distributors who in turn connect with about 2,500 subdistributors, with whom the direct wire service ends. The ultimate distribution of the information supplied by Continental is made by these subdistributors to the bookmakers by means of telephone or other communications facilities.

As is more fully described in section II, pages 7 to 9, of the Commission's staff report, Continental collects and disseminates racing information from the race tracks in one of three ways: (1) By telegraph over a direct circuit from the track press box to the nearest Continental office; (2) by telephoned description of the race as observed by telescope from a point outside the track, usually transmitted by long-distance telephone; or (3) by telephoned description of the race as signaled to an observer located at a point outside the track by a "wigwag" artist located inside the track. Here again, long-distance telephone is usually used to transmit the description to the nearest Continental office. The second and third methods are resorted to by Continental only when it is unsuccessful in obtaining appropriate arrangements with a particular track for direct wire privileges. In all three instances, the type of information collected and distributed is the same. As soon as the wire opens in the morning, Continental transmits a report of jockey weights and assignments, scratches, track conditions, and other data which are also obtainable from the early editions of most metropolitan newspapers. Subsequently, Continental transmits various handicapper selections, changed odds, and so forth. Shortly before the first race, Continental reports last-minute scratches, jockey changes, and rapidly changing odds on the first race. As the race starts, a description thereof is given and then the unofficial results are sent, followed by the official results and prices paid.

It appears from the data developed at the afore-mentioned Senate hearings that currently Continental's major circuits are located in some 40 cities and feed directly into Continental's 24 primary distributors who in turn connect with about 2,500 subdistributors. These subdistributors, in general, use one of three following methods of redistribution to the ultimate users of the news: (a) High-speed ticker circuits

leased from Western Union; (b) voice circuits leased from either Western Union or a local telephone company; or (c) ordinary local and long-distance telephone service. It appears that in most cases at least two of these methods are employed by the same distributor or subdistributor and that in 1949 Western Union leased 14 high-speed ticker circuits to distributors and subdistributors. A detailed description of the manner in which such retailing activities are conducted is set forth in the Commission's staff report at pages 14 to 23 thereof.

From the standpoint of the bookmaker, the rapid-results service provided by Continental and its distributors enable him to expand his play, because if the bettor who has wagered on the first race knows the amount of his earnings on a first race before the second race, he is in a position to continue his wagering on the second race, upon an enlarged basis, or if the bettor has lost his wager on the first race, he will wish to recoup his losses by betting on the second race. Thus the rapid-results service stimulates further betting. In addition, the probable odds and periodic run-downs up to the time the race begins, which are carried on the Continental circuit are also of great importance to the bookmaker because they permit him to estimate his possible loss on each race should a particular horse win and to decide what hedges, if any, are necessary in the light of the changing odds.

At this point I should like to stress that while the Nation-wide wire service of Continental plays a most important part in the bookmaking business, telephonic communication between the bettor and bookmaker, and between bookmakers in effecting hedging arrangements, may be just as necessary as the rapid dissemination of pertinent track information. As pointed out in the Senate committee's report on S. 3358, so long as newspapers, other publications, and radio stations carry prerace and postrace information, the bookmaker can carry on his trade.

Western Union furnishes services to the Continental Press Service under provisions of its Tariff, FCC No. 219, which covers leased facilities. This tariff contains the following regulation which has been in effect since January 11, 1943—the first clause of the regulation has been in effect since February 1, 1938. I quote the regulations:

Facilities furnished under this tariff shall not be used for any purpose or in any manner directly or indirectly in violation of any Federal law or the laws of any of the States through which the circuits pass or the equipment is located, and the Telegraph Company reserves the right to discontinue the service to any drop or connection or to all drops and connections when it receives notice from Federal or State law-enforcing agencies that the service is being supplied contrary to law.

Western Union's Tariff FCC No. 176—domestic telegraph service—includes the following provision—in effect since July 27, 1948:

Messages for the purpose of placing wagers of the kinds which are forbidden in certain States as indicated below will not be accepted or delivered in those States:

States and kind of wagers forbidden:

Alabama: All wagers.

Florida: Wagers on games or contests of skill or endurance of man or beast.

Montana: Wagers on games or contests of skill or endurance of man or beast.

Oklahoma: Wagers on games or contents of skill or endurance of man or beast.

Texas: Wagers on horseracing only.

In early January 1949 the Federal Communications Commission wrote a letter to the American Telephone & Telegraph Co.—January 6, 1949—stating that—

It is the Commission's understanding that with respect to interstate and foreign communication service the Bell system companies, as a matter of policy, have instructed their personnel not to furnish such service to persons using the same for unlawful purposes.

This letter requested that the Bell system companies file, in accordance with section 203 of the Communications Act, appropriate tariff regulations with this Commission reflecting their policies and practices concerning this matter insofar as interstate and foreign communication service is involved. Pursuant to this request of the Commission, the Bell system companies filed several regulations with the Commission reflecting their stated practice in this regard. One such regulation is that of the Southwestern Bell Telephone Co., which reads as follows:

Use of service for unlawful purposes: The service is furnished subject to the condition that it will not be used for an unlawful purpose. Service will not be furnished if any law-enforcement agency, acting within its jurisdiction, advises that such service is being used or will be used in violation of law, or if the Telephone Company receives other evidence that such service is being or will be so used.

Tariff regulations filed with the Commission by the other Bell system companies are substantially the same. It is our understanding that similar tariff regulations applicable to local or intrastate services are on file with the various State regulatory commissions.

The tariff regulations of the Western Union Telegraph Co. and the various Bell system companies above referred to are now and have been in effect since they were filed with the Commission. The Commission has never had occasion to pass upon the reasonableness or lawfulness of these regulations.

Under section 203 of the Communications Act of 1934, as amended, tariff provisions filed with the Commission generally have the force and effect of law until the Commission sets them aside as unlawful. The carriers have in numerous instances denied services to those desiring information for gambling purposes and in such cases have been sustained in their refusal of service by the Federal courts and by a great majority of the State courts. These decisions sustaining the carriers' refusal to carry services for gambling services have usually been reached on the basis of the close connection between disseminators' activities and the illegal activities of the recipients of the disseminators' information.

It seems important here to point out the sharp distinction drawn by the courts in dealing with (a) the situation where it is sought to convict the disseminator of a violation of the criminal law because he has furnished information to a bookmaker for use in the conduct of an admittedly illegal business, in which case the courts will not punish the disseminator; and (b) the situation where the disseminator seeks by civil action to require a communications company to furnish him with telephone or telegraph service, in which case the courts will not aid the disseminator.

This matter is discussed rather fully in section IV, paragraph B, pages 37 to 42, inclusive, of the staff report which you have.

Decisions of the courts would appear to indicate that while the disseminator of racing information is not subject to criminal prosecution in the conduct of his business, he cannot compel a communications company to furnish him service nor can he prevent the company from terminating his service pursuant to the tariff regulations to which I have previously referred.

Generally speaking, the Western Union Telegraph Co. has furnished leased-wire service to disseminators of racing information and other information useful in the conduct of gambling enterprises unless law-enforcement officers have complained to them that the information thus transmitted over their communications facilities is being used for illegal purposes. A recent case in point is that of *Edward J. McBride, doing business as Continental Press Service v. The Western Union Telegraph Company* (171 Fed. 2d 1) which involved Continental's operations in the State of California.

Generally speaking, the American Telephone & Telegraph Co. furnishes leased facilities for the transmission of gambling information on a more limited scale. There is no doubt, however, as to the fact that A. T. & T. and its associated companies derive substantial revenues from the transmission of racing information by intrastate and interstate message toll telephone service as well as by local service.

A full description of the practices of the communications companies with respect to the dissemination of racing information as of 1943 are set forth in the staff report. It will be found in section V, pages 43 to 48, inclusive.

In order to evaluate more clearly the part played by Continental in the field of rapid dissemination of racing information and, particularly, its possible relationship to the ultimate distributors and recipients of its product, I should like to quote from the Senate committee's report on S. 3358 (S. Rept. No. 1752). At pages 15 and 16 of the report the committee stated:

Continental Press Service is a supplier of sports information of all kinds, but specializes in the rapid transmission of race-track information. It is the successor organization to the Nation-Wide News Service, a similar news service which was abandoned by the M. L. Annenberg interests in 1939. Annenberg's employees were Arthur McBride of Cleveland and James Ragen of Chicago, and they took over the news-distributing wire service in 1939 when the Annenberg family voluntarily gave up their interests but retained ownership of the publication of certain racing papers. Subsequently, Ragen was shot and seriously wounded, and thereafter poisoned while recuperating in a Chicago hospital, the reports being that he refused to permit certain Chicago gangsters to "muscle" into the race-wire business. Ragen's share in the business was purchased by McBride, except for a small share held in trust for Ragen's widow, and McBride later presented the business to his 21-year-old son, Edward McBride, a law-school student.

The principal office of the firm is in Cleveland, although its network of wire service is controlled from Chicago, where Thomas J. Kelly, its general manager is located. Kelly is a brother-in-law of the elder McBride and uncle of the present owner. He has been connected with the business for many years. It may be interesting to point out that the late M. L. Annenberg, the elder McBride, Kelly, and several of the present-day principal Continental distributors were all former newspaper circulation "hustlers" and were employed by a number of newspapers in former years when bitter circulation wars were carried on and tough, bully boys were necessary to convince newsstand owners which newspapers should appear on the stands. The friendships made then were carried through to business associations later on as the race-wire service was built up.

The facts support the thesis that Continental today has a near monopoly in the transmission of racing news which ultimately reaches the bookmakers in the country. Continental does choose its distributors, assigns them exclusive territory, and charges them for service on the basis of the size and amount of

business done in such territory. It is also true that some, perhaps many, of its distributors are not without blemishes in character. The evidence showed, for example, that one spent a year in jail for income-tax evasion; many have had brushes with the law for bookmaking and other violations. It is obvious that in this business it has been found desirable to have men who do not shrink from enforcing their will outside of the law. Moreover, the distributors, in turn, apparently are not particularly choosy with whom they do business; in the main their customers are men who have had long experience with the use of racing information and perforce have been in difficulty with the law. It is also obvious that in many cases both distributors and subdistributors are not always the free choice of Continental; it does business with those who want the racing wire and have the political connections with which to operate.

Thus, in scores of cases, those who handle the racing news or use it as bookmakers may be well known local hoodlums or gangsters who are the subject of much notoriety. Moreover, such individuals frequently have business connections or associations with others of their ilk in other parts of the country; they loan money to one another; and not infrequently the wealthier have interests in numerous local gambling enterprises, including bookmaking. There is evidence which supports the thesis that in some States or regions a few closely knit groups, generally dominated by one or two men, maintain control of gambling and frequently associate this with interests in other enterprises, both legitimate and illegitimate. Such local groups fiercely resist invasions by others and this fact lies behind many gangster killings.

The committee believes it important to emphasize that the legislation here recommended was designed and drafted to curb the operations of any national racing betting syndicate. The evidence before us clearly proved that the problem was the same, whether the betting is conducted by a national syndicate, or in specific districts or areas, or is purely local in character.

That bookmaking is a dirty business; that it is a field which attracts questionable characters with bad reputations, that such illegal operations breed other crime is all too true. It does not require the embellishment of dime-novel fiction writers with tales of national crime syndicates or national gambling syndicates to make it any worse than it is.

There is one distinction between the methods followed by Continental today and Annenberg's Nationwide in the past. Nationwide, when it was operating, controlled not only the collection and dissemination of race news but also the distribution and use right down to the bookmaker. The lengthy investigation carried out by the Treasury Department of Annenberg's operations indicated that the price charged a bookie for the wire service depended directly on the amount of business done by the bookie; in short, Annenberg was in effect a partner of every bookie in the country. Continental, on the other hand, not only disclaims any interest or connection with the ultimate user of the race news it transmits and sells but has set up what appears to be an effective legal bar against connecting it with such ultimate users. Continental alleges that it does not determine who shall be the local recipients of its news; in fact, it asserts that it does not even know who are the ultimate users. Continental merely sells the news to some 24 regional distributors, who in turn sell to sectional, area, State, or even local distributors. The practical, if not legal, flaw in Continental's contention, however, is the wide difference in the prices it charges various purchasers for the news. For example, the New York Daily News pays \$20 a week and the Associated Press pays \$85 a week for the same news that one of Continental's major distributors pays more than \$6,000 a week plus an 8-percent wire-equipment tax. It is the committee's belief that this sharp variance in price, depending on the user, has more than a remote connection with who the purchaser is and what use he makes of the news he receives.

Accordingly, it would appear that two approaches may be taken by this committee in its consideration of this subject. If it should determine from the facts disclosed by its investigation that bookmaking taken in conjunction with its present sources of gambling information constitutes a threat to our national welfare, one approach may be to make illegal the transmission in interstate and foreign communication of gambling information. To accomplish this purpose S. 3358, consisting of legislation proposed by the Attorney General, to make unlawful the interstate transmission of certain gambling information,

has been the subject, as previously indicated, of hearing by the Senate Committee on Interstate and Foreign Commerce which has reported out the bill with certain amendments. The FCC submitted a substitute legislative proposal for the consideration of that committee. I have distributed for the use of this committee a copy of my statement made at the hearings with respect to the Attorney General's proposal and the Commission's substitute proposal. In brief, the Commission's proposal would prohibit the transmission of gambling information consisting of bets or wagers, betting odds and prices paid and would make the transmission of such information a crime punishable by fine and/or imprisonment. The proposal would also require the filing of information by persons leasing communications facilities and by communication companies serving subscribers in order to assist law-enforcement agencies in determining whether there has been a violation of the State or Federal laws.

Senator WILEY. How many States would you say permitted gambling at this time?

Mr. COY. Off-the-track betting?

Senator WILEY. Yes.

Mr. COY. One State, the State of Nevada. They license bookmaking in that State. In all the other States betting on horse racing off the track is illegal.

A second approach is suggested by the strong probability that through the device of Continental selecting its distributors and these distributors in turn selecting subdistributors, and in each case a definite geographic area being defined, there is maintained an effective monopoly. This monopoly no doubt contributes materially to a situation which permits the collection of what the traffic will bear, charges which probably bear little if any relation to the cost of rendering the service and a reasonable profit. In view of the lucrative character of the business engaged in by Continental and its distributors it would, in fact, appear reasonable to expect comparable services to be competing with Continental. The fact that such competition in no wise exists strongly suggests that such monopoly may be maintained by agreement to avoid jurisdictional warfare, that it, in fact, may be controlled by some central authority through agreements in writing or otherwise.

I am sure that Department of Justice attorneys can better advise you concerning possible violations of the antitrust laws than I. However, I suggest the possibility that there are criminal violations of the antitrust laws involved here.

The CHAIRMAN. Thank you, Mr. Coy.

Senator Wiley, do you have any questions?

Senator WILEY. My information on this subject, Mr. Coy, is so tremendously small that I doubt whether my questions would bring out anything of great value, but I have a few ideas after listening to your remarks here that I want to inquire about.

You referred first to off-the-track betting. I was informed by my learned counselor to my right that that meant in poolrooms and so forth. How many States in this Union permit gambling on the track, if that is the phrase? I believe you told us once before.

Mr. COY. Twenty-seven States.

Senator WILEY. For the record will you define that? When you say "on the track," what area is included in which that is permitted?

What do you mean? Do you mean the fairgrounds or just what do you mean?

Mr. COY. The usual definition in the law is that the tracks shall be enclosed, that the betting shall take place inside the enclosure, that the betting is under the supervision of the governmental officials having jurisdiction in the area, usually the State, and that all betting must take place through those channels.

Senator WILEY. What I am getting at now is that 27 States permit gambling of this character, and only one permits the off the track. What is the difference in gambling on the track or off the track from the standpoint of morality? Is it simply a matter of State regulation or is there some evil influence in one that there isn't in the other?

Mr. COY. I would be unable to distinguish any difference between them, unless in connection with the so-called off-the-track betting there is a corruption of local, State, or Federal officials in the maintenance of the organizational structure which fosters this off-the-track betting which might endanger the national welfare.

Senator WILEY. Now we are getting somewhere. That element would add a reason for differentiation by law between on the track and off the track, or whatever you want to call it. Did you in your statement particularize on the last factor that you mentioned, to wit, that off-the-track betting of this character has a disintegrating influence on morals, that is, the corruption in the picture, and so forth? That is what I personally am interested in because I do not know, if a fellow chews gum in one room, why it is wrong to chew it in another. If you are going to permit it in one way, there must be some reason for its not being permitted in another. You stated that reason, but can you give us any particulars?

Mr. COY. Senator, I am in no position to tell you, by way of evidence to support it, that there is organized crime of the character that is undermining the morals of State, local, or Federal officials which endangers the public welfare. On the other hand, there seems to be a body of common knowledge indicating that there is some kind of sore here, and that common knowledge is the background, I think, of the action of the Senate in establishing this committee. We have read for a period of years of gang warfare in connection with gambling activities of this sort. We have seen a sudden cessation of those gang warfares; if not a complete cessation, at least warfare in this regard has diminished to the point where it has become noticeable. It seems to me that reasonable men wonder by what means these monopolistic activities can be permitted without the corrupting of public officials to aid them in the perpetuation of this monopoly in the dissemination of information and the resulting gambling through illegal bookmaking.

More than that, Senator, I find it rather difficult to have to justify the actions of the various States of the country that have declared it to be illegal. They apparently have found sufficient grounds to declare bookmaking illegal.

Senator WILEY. You used the phrase "on the track." Is that a licensed business?

Mr. COY. On the track I should think that the States themselves—

Senator WILEY. Do the States get a rake-off of it?

Mr. Cox. They do, they get a part of it. I think in many cases they operate it, and in others they may have operators who are in effect licensed operators.

Senator WILEY. You mentioned in your statement an estimate as to the amount of money that was involved. I think you said somewhere between—what was it?

Mr. Cox. Three to ten billion.

Senator WILEY. How did you arrive at those figures?

Mr. Cox. It is from the Senate Interstate and Foreign Commerce Committee report.

Senator WILEY. Is it your opinion from the information sources that you have that this off-the-track business covers a greater proportion of this 3 to 10 billion than the on the track?

Mr. Cox. I don't know.

Senator WILEY. Have you any information as to whether or not the gang that controls on-the-track betting is connected up with the gang that controls betting off the track?

Mr. Cox. I do not, but I doubt that the so-called legalized betting or on-the-track betting is in the hands of any of the people who are involved in the activities that are referred to here as off-the-track betting. I have no information on it, but I doubt that it is in the hands of those people.

Senator WILEY. Is it your information that this source of income on the track is the basis for legitimate income taxation by local governments and States and that that source does not escape?

Mr. Cox. I am not sure that I understand you.

Senator WILEY. In other words, on the track you have books, have you not, and you have records? Whoever makes anything off that I presume has to return it as a matter of income, does he not?

Mr. Cox. I have no information on that.

Senator WILEY. Do you have any information as to the amount of revenue that escapes detection by the Government as a source of income taxation on the off the track?

Mr. Cox. I have not, but perhaps the Treasury people would have some estimates on that. Probably it is much less than it was a few years ago after the prosecution of some of these fellows engaged in illegal activities for failure to pay their income tax. They seem to be very careful in that regard.

Senator WILEY. You intimated that the off-the-track betting was a sort of web organization, utilizing the information of distributors like Western Union, and so forth, that extends throughout the width and depth and height of this country. That I think also is common knowledge, is it not?

You made two suggestions as to remedies. Will you repeat those suggestions?

Mr. Cox. One of those is the approach that resulted in the Attorney General's conference and the resulting legislation proposed by the Attorney General on behalf of that conference, which would restrict or prohibit the transmission in interstate commerce of gambling information that could be used in gambling, which would restrict its transmission in interstate commerce. That alternative is reflected in S. 3358 as reported to the Senate in its amended form.

The second suggestion which I made is that there is evident here a monopoly of racing information which begins with the Continental

Press Service being the distributor on a Nation-wide basis of this information, and in turn selling it to 24 distributors throughout the country, so-called regional distributors, in that case defining the area which those regional distributors will serve, they in turn selling the product which they receive from Continental Press to 2,500 sub-distributors and in turn describing the regional territory, the geographic area which they can serve. It seems quite clear that in this controlled distribution of this racing information, competition is not permitted, and I suggest the possibility that there is a criminal violation of the Antitrust Act, because it seems reasonable to expect that there would be competition in a field as lucrative as this, where the take is as large as it is.

I might go one step beyond that and suggest a parallel. The Associated Press has been engaged for many years in the dissemination of news. The contractual arrangements between the Associated Press on the one hand and newspapers in various cities on the other restricted the use of Associated Press to competitors to the local subscriber. They could not get it. Suit was filed under the Antitrust Act, and the decision of the Supreme Court was that the Associated Press was violating the Antitrust Act, and they were ordered to make available their news reports or to eliminate the restrictive agreements with their subscribers which kept them from having competition, and there is now competition in the use of the Associated Press reports.

There is a case of an enterprise on which there is no shadow of illegality at any point in it, either in the collection of the news or in the dissemination of the news or in the use of the news.

Contrast that with the situation where you have racing news collected and disseminated through a monopolistic organization and put to an illegal use, and it would seem strange to me that they should be insulated from the antitrust laws and, I suggest, even the criminal violation of those laws for what I believe to be willful violation of them.

Senator WILEY. That suggestion which you have made is of course more or less a matter of illegalistic approach. I want to get down to something else. I want to find out how this monopoly or this web, whatever you want to call it, keeps feeding in to the minds of each generation that gambling desire, because, after all, that is their market. They have to sell to those folks who come in on the idea that they can put \$2 or \$1 on something, and there is the possibility of winning.

What I am getting at is that it is like developing, I suppose, a taste for liquor. Somebody has to get the liquor to the guy; somebody has to get him interested. What is there in that side of the picture on which you have a suggestion to make? You said this report of the news is a monopoly controlled by this one crowd, and then it goes out to the various district heads who take over and feed out the results. What agencies are there that go out and constantly egg on the buying public to buy the product? What can be done in that direction if the gambling instinct is ever going to be stopped? We have television coming on the horizon. I suppose there is a matter of interstate commerce in television. You see the races right over your set in Washington. I suppose they announce it easily enough that way.

What I am fundamentally interested in is this disintegrating influence, whatever it is, that gets men and women into this gambling business, a fellow in the street or any one else, a dollar or \$2 or what not, and gets him to the point where he gets drunk over this idea of the chance of winning.

Mr. Cox. Senator, I do not know what devices the bookmakers use to increase their volume of business. I suspect that they are very skillful at capturing the instincts of most of us to get something for nothing.

Senator WILEY. Of course, you and I have both made out a case now on how ignorant we are on the subject.

Mr. Cox. Perhaps we have not gambled through a bookie.

Senator WILEY. All life is a gamble, brother.

I would like to direct my attention to the chairman on that one subject. We are going into it, I presume. We will get the FCC to give us advice as to the status of the present law and why prosecution can or cannot be made. To me the thing to do is to start with the generation that comes up so that they are not constantly penetrated by a lot of rot that makes them feel that this makes life worth while and they constantly take a chance. In that direction I suggest there might be some hope of curing the disease, not a mere restriction, as we did with booze during prohibition a few years ago, which did not restrict. Probably the right kind of education might be effective. I do not know. I thank the chairman.

Mr. Cox. Senator, may I address myself for just a moment to your last statement directed to your chairman? On that approach, which I construe to be one of raising the question of whether or not gambling of this kind has reached the point where it is endangering the national welfare, one approach has been taken where you are unable to get the enforcement of the law in the 47 States where it is illegal, enforcement of the kind which stops this thing or retards it to the point where it no longer would be a menace. The suggestion has been advanced in the legislation before the Senate to prohibit the transmission of the information on which these bookmakers feed, and you would greatly diminish gambling because of the inability of bookmakers to be sure that they are making a profit and therefore reduce their willingness to accept bets without the information which lets them balance their book and take a 10- or 15-percent take as a certainty. If they attempted to make book on the lack of this information where they were taking such a great risk of losing their own money, there might be some loss of confidence in books made without this information. The general public might be somewhat less willing than they are today to gamble with the bookmaker if he is making book without adequate information.

Senator WILEY. You mean to prohibit the press from reporting which horse won the race today at 2 o'clock?

Mr. Cox. No; I do not mean to curtail the press in reporting these events. The press does not lend itself to this process of bookmaking because of the timing of their various editions.

Senator WILEY. Then let us take the radio. A race comes off at 2 o'clock. Horse X wins. Do you think you can stop that information?

Mr. Cox. No; I do not think you can and I do not think you should, but I do think you ought to stop the kind of information which feeds

the bookmakers, and that would be the kind of information on what the odds are before the race is run, the last-minute scratches, the changes in jockeys, information which lets the bookmaker have information on which he can set his books up, and to prohibit putting on the radio the prices paid after the event has been finished, but not restrict them in reporting the winners, the second-place winner, and the third-place winner; in the case of television, not to permit them to show on the television screen the pari-mutuel boards at the tracks, which have all this information on it.

Senator WILEY. That is the approach that is in the Senate bill. Have you any thought that the cure might be worse than the disease in restricting men deliberately? I might be a Kentucky owner of horses and I might wish to express my opinion that my horse X will win the race, and that goes out. I am just thinking in terms of constantly trying to cure the disease from without, when we have to cure it from within.

Mr. COY. If there is one. I would quite agree, there is always the very difficult problem of deciding what kind of restriction you put on when the freedom of people and freedom of information is involved.

Senator WILEY. You said that on the track the Government was not losing any money to speak of, you thought, but off the track the Government was losing a lot of money. You could make the thing so costly that it does not pay to operate a business. You can do that. One of our problems in this country is developing new businesses. We have already come to that point. If you have a business which is disintegrating in its influence on morals and the health of the community, you certainly have the right of taxation, you certainly have the right of license, you certainly have the right to regulate men who are engaged in various activities which are crooked. There is no question about that. Again if you consider putting a stop to the matter of information over television, over radio or telegram, through the papers, you had better watch your step. That is the way I feel about that.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, Senator Wiley.

Senator HUNT, do you have any questions you wish to ask at this time?

Senator HUNT: No, Mr. Chairman.

The CHAIRMAN. Mr. Coy, I had one or two questions.

First in regard to the matter of a possible monopoly action against Continental Press, is it the duty of the Federal Communications Commission to suggest or do you have any power to initiate such a monopoly action or must that be instituted by the Antitrust Division of the Department of Justice?

Mr. COY. The latter, Senator. The enforcement of the Antitrust Act is not within our jurisdiction. However, the Commission is not without some interest in the Antitrust Act in the field of communications. In this case you do not have communications services being rendered by companies under the jurisdiction of the Commission. Continental Press and the regional distributors and the subdistributors are leasing facilities from common carriers who are under the jurisdiction of the Federal Communications Commission so that clearly, so far as violation of the Sherman Act is concerned, they are

not within the jurisdiction of the Commission and we would be in no position to take any action against them. I suggest that it is within the jurisdiction of the Department of Justice if there is a violation here.

The CHAIRMAN. Of course within your jurisdiction and duties you can make recommendations concerning possible violations of the antitrust laws in the communications fields; can you not, Mr. Coy?

Mr. COY. That is correct.

The CHAIRMAN. You are at this time at least calling attention to the matter so that it may be looked into by the antitrust division of the Department of Justice?

Mr. COY. That is correct.

The CHAIRMAN. The case that you cited in which the Associated Press was involved was one that arose in connection with the Chicago newspapers; is that not right?

Mr. COY. I believe it involved Chicago and Washington, D. C.

The CHAIRMAN. Mr. Coy, at the beginning of your testimony you outlined the three ways in which Continental secured information to put on its wires, at the end of page 2. First, by telegraph over a direct circuit from the track press box to the nearest Continental office. I think most of the States in which horse racing has been legalized prohibit the immediate giving out of information from the tracks, do they not?

Mr. COY. Some of them do, and some of them do not. Where it is not prohibited, they have a direct wire to the track press box, and they pay a fee of so much per day to the track owners for the privilege of sending out the information on the results of the races.

The CHAIRMAN. Then in those States where it is prohibited the second method of securing information is by telephone description of the race as observed by the telescope from outside the track, usually transmitted by long distance or telephone to Continental's nearest office; and the third method is by telephoned description of the race as signaled to an observer located at a point outside the track by a "wigwag" artist.

Does Continental still carry on those practices?

Mr. COY. I understand they do.

The CHAIRMAN. What evidence do you have that they do?

Mr. COY. The evidence in 1943 is set forth in our report, and I believe we list the tracks where they operate by these three different methods. I do not believe there is any current information after 1943 on the basis of our report.

The CHAIRMAN. I take it, though, that if it cannot be gotten out legally, you could deduce from the fact that it does get out that it must be through one or the other of these methods. Would that be correct?

Mr. COY. That is correct.

The CHAIRMAN. Mr. Coy, you were talking about bookmaking in connection with the immediate transmission of news by Continental and its distributors and subdistributors, where they give the last scratches, the condition of the track, change of jockeys, and what not. Then you said also, however, that the bookies could not be completely put out of existence as long as radio and newspapers and television carry the information. Is that what you said?

Mr. COY. Yes; he would be reduced to operating at a much greater risk than he does when he has this information immediately. In other

words, he would not be able to know the changing odds right up to the start of the race, which enables him to lay off or hedge his bets. He would be gambling much more himself than he is today. It is difficult to say that a bookmaker is gambling. He almost has a cinch in the way he operates.

The CHAIRMAN. Then insofar as bookmaking shops are concerned or parlors where people go and sit in the afternoon and bet on one race after another, I suppose they carry on by virtue of being able to get their money immediately following the race in order to be able to bet on the next race. Is that correct? Or if they have lost on the previous race, as you say in your statement, there is a natural desire to try to recoup on the following race. Unless they got the news immediately, that kind of transaction would not be possible.

Mr. COY. That is my belief. I have only one question, as to whether there are immediate pay-offs in all of these cases. I suspect that a number of people who bet with bookmakers have a reasonable line of credit and that it is conducted by credit arrangements over telephone, even credit arrangements when they are sitting in bookie rooms in some of the large resort hotels.

The CHAIRMAN. You discussed the matter of the difference between pari-mutuels, legalized on-the-track betting and bookmaking. You spoke of the fact that in all but one State off-the-track betting would be in violation of the law of the particular State, and you noted also the necessity of having at least some kind of protection or at least of winking at the operation by the law-enforcement officials. It is also true that everybody who has made a study of the matter says that with the horse parlors and the gambling institutions, illegal ones, go other kinds of crime and corruption as a necessary part of the gambling operation or at least as an incident to it. Is that your feeling about the matter?

Mr. COY. That is my belief, Senator, but as I indicated I do not have evidence to support that, except such information as is of common knowledge.

The CHAIRMAN. Mr. Coy, you testified about the provisions of Tariff FCC 219 which covers leased facilities, that in January 1943 the Federal Communications Commission put into effect a regulation that facilities furnished under this power should not be used directly or indirectly in violation of the law. That is the provision you referred to, is it?

Mr. COY. Yes; that was the provision of the tariff filed by Western Union.

The CHAIRMAN. Then it is your duty as the Federal Communications Commission at least to have some supervision of whether Western Union is complying with that regulation.

Mr. COY. Yes; and so far as we know, Western Union has discontinued service in all cases where there has been complaint filed with them by law-enforcement officials of proper jurisdiction.

The CHAIRMAN. Do you have a staff on the Federal Communications Commission which makes an investigation of Western Union's activities in connection with whether the company violates this provision or not?

Mr. COY. Yes, we have a staff; but we do not have people assigned to this particular thing. As complaints would come to us about the matter, we would look into it.

The CHAIRMAN. Do you have any investigators out determining whether they have violated or are violating this tariff provision?

Mr. COY. We do not. This regulation says that they will not furnish service to people who are using for unlawful purposes, the information transmitted and that they will discontinue the service upon complaint of law-enforcement officials. On the affirmative side, we do not investigate whether they are furnishing service to people who are using it unlawfully.

The CHAIRMAN. For that reason you have never had a decision as to the legality of this tariff provision.

Mr. COY. No. That decision would come about upon the complaint of someone who had been denied service by the telephone company and who filed a proceeding before the Commission asserting that the regulation under which service had been denied was unlawful.

The CHAIRMAN. What penalty is possible under the Federal Communications Act or tariff No. 219?

Mr. COY. The general provisions of the Communications Act with respect to forfeitures. There is a penalty or a fine in the Communications Act for violation of their tariff regulations. I would like to point out that the only penalty involved here under the present Communications Act would run against the communications carrier, not against any one getting service and using it for illegal purposes.

The CHAIRMAN. Not against Western Union or Continental itself?

Mr. COY. It could not run against Continental.

The CHAIRMAN. You of course have read in the paper, Mr. Coy, I assume, that in the State of Maine and in the State of New Jersey Western Union operators in various towns and cities have accepted bets or at least have accepted money for transmission to some bookie or to some lay-off person. So actually betting on horse races has taken place in those cases through Western Union facilities.

Mr. COY. Yes, I have read it in the paper; and I am somewhat familiar with the matter because the matter was reported to the Federal Communications Commission. We did not investigate the matter because the local district attorney, that is, the State's attorney in the State of Maine, working in conjunction with the United States district attorney, was trying to gather evidence and prepare a case to take to the grand jury in the Maine jurisdiction, that is, the State grand jury.

The CHAIRMAN. You are now going into those matters?

Mr. COY. Yes.

The CHAIRMAN. How about New Jersey?

Mr. COY. I am not familiar with New Jersey myself. I cannot answer on the State of New Jersey at the moment.

The CHAIRMAN. You, of course, have read in the paper and are aware of the fact that in St. Louis a substantial number of records have been seized, which at least indicates that there is a very substantial bet-making or bookmaking operation pretty closely connected with some of the Western Union managers and officials. You saw that in the paper?

Mr. COY. I did.

The CHAIRMAN. J. C. Rich Co., I believe, is the name of it. I assume that you will go into that matter to see whether there has been a violation.

Mr. COY. Yes, sir. I think, however, Senator, the question of the betting in that case is a matter of local jurisdiction because it does

not violate any Federal law. The question for us is whether or not it violates the tariff regulations filed by the Western Union and whether Western Union itself had knowledge of it.

The CHAIRMAN. On page 5 of your statement the provision reads:

Facilities furnished under this tariff shall not be used for any purpose or in any manner directly or indirectly in violation of any Federal law or the laws of any of the States through which the circuits pass or the equipment is located * * *.

So you would not have to find a violation of the Federal law in order to impose a penalty on Western Union.

Mr. COY. We would find a violation of the tariff regulation, Senator, in that case, using their facilities for transmission of bets or wagers.

The CHAIRMAN. The point is that if it is in violation of the law of the State in which the equipment is located or through which the circuits passed, then you would be in position to impose a penalty if it was in violation of the FCC Act. Is that not correct?

Mr. COY. I think there would be that question which we would have to determine, certainly.

The CHAIRMAN. In that connection, Mr. Coy, this committee will be delighted to cooperate and assist in uncovering any evidence that we might gather on the matter.

Mr. Coy, on page 6 on the matter of use of services for unlawful purposes under section 203 of the Communications Act, places some burden on the company to see that their service is not being used for illegal purposes in violation of the law. It first specifies that if a complaint is made, and then the last clause is, "or if the telephone company receives other evidence that such service is being or will be so used."

I understand from all of your testimony that where a complaint has been made to the telephone company that their facilities are being used for illegal purposes, they have withdrawn the service, is that correct?

Mr. COY. I believe that to be generally true. I do not know of anything to the contrary.

The CHAIRMAN. But now, Mr. Coy, as a matter of fact, while that may be true, do you have evidence that they have been rather blind in looking out for violations of the last clause of this provision?

Mr. COY. I do not know that I would say they have been blinded to it, but I would say they have not been aggressive in determining whether the user of the telephone was going to use it for legal or illegal purposes.

The CHAIRMAN. Yes; that is right, Mr. Coy. You set out in your report—and I want to compliment the Federal Communications Commission upon this study. It is, of course, a little outdated now, but it is very thorough and excellent and detailed, and you performed a splendid public service in making this staff report. You report situations in the report where there are great concentrations of telephones in unusual places, in such a peculiar place, maybe several up a tree near a race track or many of them in a betting parlor where it is known that gambling was taking place. Those matters would have to be known by the telephone company and what the phones were being used for, if they made any sort of effort at all, sir.

Mr. COY. I believe that is self-evident.

The CHAIRMAN. It must be self-evident, if you have several telephones in a room next to a race track, what they are being used for.

Mr. COY. I think that is self-evident.

The CHAIRMAN. Or in a book-making joint where they receive information from one of the subsidiaries of Continental Press and then have several telephones to call it out. That would be self-evident, would it not?

Mr. COY. I think so.

The CHAIRMAN. Is it possible that these telephones could be there without the telephone company knowing it?

Mr. COY. It is possible but highly improbable.

The CHAIRMAN. Highly unlikely, is it not?

Mr. COY. They would have to be installed by other people than the telephone company.

The CHAIRMAN. Also, Mr. Coy, if their toll charges, which you have been so kind as to order them to retain, show from a certain telephone long-distance calls to a certain place immediately after the race time of different races, it would be evident to the telephone company what it was being used for, would it not?

Mr. COY. I think that is correct. I would like to correct one thing, Senator. I am told that the telephone company has testified that many of these telephones have been installed by people other than the telephone company's employees, that they have procured instruments of their own and have installed them, which would be an illegal installation.

The CHAIRMAN. That is, that they have gone around and paid somebody something for the use of their telephone and the gambler or the person using them themselves have put in the wires?

Mr. COY. Or they have bought the instruments themselves without borrowing somebody else's.

The CHAIRMAN. Of course, that is their testimony and undoubtedly that is true in many cases, but putting it all together, Mr. Coy—the toll charges, the inspections they make from time to time of their facilities, where the calls go to—are you not convinced that if the telephone company really wanted to stop the use of its facilities for these illegal purposes, in the main they could do so?

Mr. COY. Senator, I think that is right, but I would like to qualify it a bit, if I may. The telephone company, following out the letter of its own regulation here, would have to make a determination that telephones were being used for unlawful purposes. The telephone company is hardly the agency to make such a determination that it is their belief that telephones are being used for unlawful purposes. The telephone company in making such a determination would be subject to civil suit for damages, and unless their action is buttressed by the actions of local law-enforcement officials stating that these people are engaged in unlawful purposes, the telephone company is put in a very peculiar position, and the result of that, because of this jeopardy of civil action, is that they have in the main relied entirely upon complaints from local law-enforcement officers that telephones were being used for unlawful purposes.

I think they could say to you, and I think they would have to admit that they know that a number of these telephones, at least in their opinion, are being used for unlawful purposes, but without the support

of these local law-enforcement officers saying that it is used for unlawful purposes, the damage possibilities through civil action are pretty great for them.

The CHAIRMAN. I grant, Mr. Coy, that this whole matter to a very considerable extent goes back to the interest of the local people and local law-enforcement officers. You have that to start on, and anything you may build on it is very, very difficult.

Mr. Coy, what if it should be pointed out to the Federal Communications Commission that the telephone company, upon a showing to it of illegal use of its facilities in violation of the law and bookmaking operations, had refused to remove its facilities. Do you have any power to fine it or to suspend its services?

Mr. Coy. We could fine it under the forfeiture section of the statute, the Communications Act.

The CHAIRMAN. What is the fine that is possible under that section?

Mr. Coy. \$500 for each offense. Mr. Chairman, if they willfully violate that section, they are also subject to criminal prosecution under the act.

The CHAIRMAN. Mr. Coy, in connection with Continental's operations where they apparently have divided the country into 25 regions, has your staff made a recent investigation of the operations of Continental?

Mr. Coy. We have not.

The CHAIRMAN. With some additional appropriation, you might be able to do so, might you not?

Mr. Coy. Yes, if we had the staff to do it; I think we could bring our 1943 report up to date. It is not something, however, that you can do overnight.

The CHAIRMAN. Yes; I appreciate that.

Mr. Coy, what evidence does the Commission have on whether the wire services are served by or connected with organized criminal syndicates?

Mr. Coy. I do not believe we have any additional evidence.

The CHAIRMAN. Other than the conclusions that may be drawn from what you have in your 1943 report?

Mr. Coy. That is correct.

The CHAIRMAN. Mr. Coy, I think you previously identified before the Interstate and Foreign Commerce Committee the Continental and subsidiaries, which first distribute and then redistribute racing news. Do you have that list for the committee that we can have?

Mr. Coy. I do not have the list. I have only the list of the regional distributors as they existed in 1943. We can procure that, and I believe it is a matter of record before the Senate Interstate and Foreign Commerce Committee.

The CHAIRMAN. I will ask the staff of the committee in conjunction with Mr. Coy's staff to prepare that.

Mr. Coy, has the Commission made a study of the stock ownership of Continental and of the distributing companies and of Western Union?

Mr. Coy. Of Western Union? Of Continental we have not, nor have we made a study of the regional distributors or the subdistributors. They are customers of communications companies under the

jurisdiction of the Communications Act, but they themselves are not under our jurisdiction. Therefore we have made no study of their ownership except as is set out in this report, which shows the ownership of Continental.

The CHAIRMAN. You mean a subdistributor like Pioneer News Service is not subject to the jurisdiction of the Federal Communications Commission?

Mr. COY. It is not.

The CHAIRMAN. Why is it not? It operates in interstate commerce.

Mr. COY. They do, but they are operating under a lease arrangement with a common carrier under our jurisdiction, like hundreds of business enterprises in the country. For example, the Associated Press operates in the same way by leasing facilities from Western Union and A. T. & T. That does not bring the Associated Press under the jurisdiction of the Federal Communications Commission.

The CHAIRMAN. But Western Union and Continental are under the jurisdiction of the Federal Communications Commission.

Mr. COY. Continental is not. They lease facilities from Western Union. Western Union is under the jurisdiction of the Commission.

The CHAIRMAN. Have you made a study of who the stockholders of Western Union are?

Mr. COY. The last study of the stockholders of Western Union I believe was made at the time of the merger of Western Union with the Postal Telegraph Co.

The CHAIRMAN. Do you have in your files a list of the stockholders of those two companies as of that time, which I believe was in 1946, was it not?

Mr. COY. It was in 1943, but we do have that list. I do not know whether it is in our files at the Commission or whether it is in the Archives. It can be procured.

The CHAIRMAN. I would appreciate it if you would submit it to the committee.

What inference would you draw if it were shown, Mr. Coy, that people who are interested in bookmaking have been buying very heavily in Western Union stock?

Mr. COY. I think our only information on that came from the proceedings of this committee, indicating—

The CHAIRMAN. Western Union has not been a very successful financial venture for prospective stockholders, has it?

Mr. COY. Not very, but their stock has gone up on the market within the past year in a rather striking manner.

The CHAIRMAN. The only time they made a dividend was when there was a telephone strike some time, I believe.

Mr. COY. I do not believe they paid a dividend then, Senator.

The CHAIRMAN. I thought they paid a dividend then.

Mr. COY. There was quite a windfall, however, in the telephone strike.

The CHAIRMAN. What inference would draw if a person engaged in bookmaking and the redissemination of news, one of the subdistributors of Continental, should put practically his whole fortune in Western Union stock?

Mr. COY. I would draw the inference that it would bear very close scrutiny.

The CHAIRMAN. Certainly in an ordinarily widely held company like Western Union, whose stock is sold on the big board, if you could get control of a relatively small block of that stock, you would have great power in a meeting of the board of directors, would you not?

Mr. COY. You certainly could at any time there became a fight as against the management of the company and there was a proxy fight on.

The CHAIRMAN. The fact that somebody might be in position to put on a proxy fight, even though they did not do so, certainly would be looked upon with very sympathetic consideration by the operating heads of a company like Western Union, would he not?

Mr. COY. Senator, that I can't say because I do not know what the management of Western Union would think about Mr. Molasky's owning 18,000 shares of stock.

The CHAIRMAN. Of course it should be pointed out in this connection that the local manager in St. Louis of course knows about it.

Mr. COY. I have read about that.

The CHAIRMAN. Is shortwave radio a factor in the distribution?

Mr. COY. Yes; I would say it is, but a very minor factor. Those operators, men who are licensed operators, would hesitate to engage in such activity.

The CHAIRMAN. Do AM and FM play a big part in bookmaking up to date?

Mr. COY. Before I answer that may I expand on my answer about shortwave for just a little bit. We have had a few cases of licensed operators operating shortwave radio transmitters at tracks furnishing information to bookies. We have apprehended them, and they have been prosecuted. We have facilities in our field organization for locating illegal radio transmission. Most of those who would engage in such activities are not even licensed operators, but they have the qualifications of being licensed, perhaps as many as five or six cases in the last 2 years, indicating that it is a rather small factor. There may be many that we have not yet apprehended.

On the question about FM and AM, I think that the oral radio broadcasting is much more of a factor than the shortwave problem because many radio stations, small in comparison to the total number but still in quite a few places, have over the past several years engaged in the immediate broadcasts of the kinds of information that is made available through the Continental Press Service, both before and after the race. Over the past 10 years we have had a number of such cases. The question which the Commission has to face is, are these radio stations operating in the public interest when they devote a very large portion of an afternoon to racing information and particularly in a way in which it would be of aid to illegal bookmaking in the 47 States where it is illegal. We have a current case before us right now. Wilmington, Del. WTUX, the Port Frere Broadcasting Co., which was originated by complaint by the chief of police in Wilmington that this station was broadcasting information of the kind that facilitated bookmaking in Wilmington. The case was set down for hearing on renewal of license. Through the chief of police some bookmakers who were witnesses testified that they did use this information. At the inception of the hearing or thereabouts the station changed its method of operation, and the case is now pending before the Commission on whether or not its license should be renewed.

Senator HUNT. Mr. Coy, we were given information in another hearing that the bookmaker in Los Angeles, who more or less controls bookmaking in Los Angeles, receives all of his racing information by shortwave radio from Tijuana, Mexico. I suppose in that situation you would be helpless.

Mr. Cox. Yes; I think we would. The transmission, if it originated in Mexico, would be outside of our jurisdiction. There is no license of receivers in this country, thank God, even though it might enable us to apprehend this particular fellow.

Senator HUNT. I want to ask you a question along the line we have just been discussing, this ever-constant reporting by local stations of racing news. I pick it up as I play across the dial going home from work in the evening. It seems that every station I get hold of is telling what horse just finished first, second, and third, giving the bets. It is so quick that they will say, "Hold on just a minute now until we get the official," and within seconds after the race is finished I am getting it on my way home. Naturally I do not linger on that station, but do you not have jurisdiction over filling up the air with that kind of stuff?

Mr. Cox. We do, and the question is whether they are serving the public interest by operating in that way and particularly if they are furnishing the information of the kind and timely to assist bookmaking operations.

Senator HUNT. Who pays them for doing that broadcasting?

Mr. Cox. There are various ways that that occurs. Sometimes the information is furnished to them by one of these publications in the field of racing news. I believe Armstrong is one of them. Sometimes a station accepts that service from Armstrong free and broadcasts it and gets the money out of selling spot announcements to various advertisers during the afternoon while racing news is on. In other cases Armstrong has paid the stations for the broadcast of such news or for the time that is consumed in identifying the source of news as being Armstrong, because that assists in the sale of Armstrong's publications. Those payments sometimes are nominal, and in other cases they have been quite substantial.

Senator HUNT. Do not your requirements or rules and regulations definitely set out that the station must designate the sponsor of any program?

Mr. Cox. Yes, it does; and in the cases where it is identified as Armstrong, my understanding is that the station is either furnishing the service free or making a payment to the station, depending on how good a deal he can make with the station.

Senator HUNT. Mr. Coy, is it the duty of your organization to go into that matter on your own or do you wait for a complaint?

Mr. Cox. It is impossible for us to monitor all the radio stations in the country, so we are dependent to some extent upon complaints about the service of the radio station. Again in that regard the best source of information to us would be local law-enforcement officials who would tell us that such and such radio station is broadcasting information in a manner to facilitate illegal bookmaking in that community.

Senator HUNT. You do not feel it your duty to initiate the case yourself?

Mr. Cox. It is if we have knowledge of it, certainly.

Senator HUNT. I just suggest you listen in any afternoon from about 3 until 6.

Mr. COY. Senator, if you would permit me to say so, I do not go home as early as you do. [Laughter.]

Senator HUNT. I get to work at 9 o'clock in the morning, and the Commission convenes at 10.

Mr. COY. I am not trying to imply you don't work, because I know you do, but what I mean to say is that my job doesn't permit me to listen to radio during the daytime. I am busy with a lot of other things, and I just wish that I could do what you suggest. I will be very glad to ask somebody to listen to the stations in the Washington metropolitan area and hear what you do and see if we should not do something about it.

Senator HUNT. Thank you, sir.

The CHAIRMAN. Mr. COY, do the same rules apply with reference to the renewal of applications as to the granting of an original application?

Mr. COY. Yes, sir.

The CHAIRMAN. The Wilmington matter is the renewal of a pending permit, is it not?

Mr. COY. Yes, it is.

The CHAIRMAN. Then you do have some applications pending, which might indicate that they expect to use them for horse-racing information, do you not?

Mr. COY. Applications for new stations or applications for renewals?

The CHAIRMAN. Applications for new stations.

Mr. COY. Not to my knowledge, but that does not mean that we do not have, because I would not see those applications until they come before the Commission for action. There may be some on file. We keep them in the file at least 30 days before we consider them.

The CHAIRMAN. Not commenting on the worthiness of the application one way or the other particularly, but do you know this fellow McBride?

Mr. COY. Yes, I do; WMIE, Miami, Fla.

The CHAIRMAN. What is the situation with reference to his application for service?

Mr. COY. It is in hearing. We had a portion of the hearing in Florida. I believe we have resumed the hearing here.

Mr. HARRY A. BECKER (Chief, Administration, Office of General Counsel, FCC). The record is still open for depositions to be taken in Cleveland next week.

Mr. COY. The record in the case is still open for some depositions in Cleveland, and while I am speaking about that case I refer back to a question you asked me a moment ago. We do have in this particular case information about the ownership of Continental Press because of McBride's relationship to it.

The CHAIRMAN. Most of the stock of Mr. McBride has been turned over and given to his son.

Mr. COY. I believe that that is correct. He has transferred 100-percent ownership of that to his son, who is a student in a law school.

The CHAIRMAN. I think it might be pertinent, anyway, for consideration by the committee if there were included in the record an editorial of April 16, 1950, in the Miami Daily News.

(The editorial referred to was identified as exhibit No. 2, and appears in the appendix on p. 243.)

Mr. COY. Senator, we would be glad to furnish you with a transcript of that hearing if you wish.

The CHAIRMAN. Mr. Halley, do you have any questions?

Mr. HALLEY. Mr. Coy, earlier this morning you were talking about the difference between on-the-track betting and off-the-track betting and the possibilities that the evil in the one might be greater than in the other. They are both monopolies, are they not?

Mr. COY. They are both monopolies, but one of them has been legalized by action of the State and the other one has no legal sanction that I know of.

Mr. HALLEY. Betting on the track is a regulated monopoly, in other words.

Mr. COY. That is correct.

Mr. HALLEY. Much like a lot of our public utilities. In the betting off the track you have evidence that a monopoly controls the dissemination of the information, is that correct?

Mr. COY. The very circumstance of the manner in which Continental furnishes its information through regional distributors and subdistributors is the kind of evidence on which I base my statement that it is a monopoly. I do not say that there is a monopoly of the final use of the information because I believe that the subdistributor will make it available to as many bookmakers as there are who want to pay the fee.

Mr. HALLEY. In addition to being a monopoly, does not the off the track furnishing of information have other evils attached to it? Have you found any evidence, for instance, of discrimination among customers in terms of price or availability of the information?

Mr. COY. We know that in 1943 the information collected and transmitted by Continental over these leased circuits was furnished to newspapers for as low as \$65 a week, to press associations for \$75 a week, and I believe that the figure charged to one of the regional distributors was as high as \$5,500 or \$6,000 per week, a wide difference in the charge made for the service.

Mr. HALLEY. They both get the same service?

Mr. COY. They both get identical service.

Mr. HALLEY. And, of course, among the regional distributors there is clearly discrimination as to who may or may not have the service. If you or I applied for a regional distributorship, we would not be able to get it, would we?

Mr. COY. I do not know, and I haven't contemplated applying, but it does seem to be quite clear that a regional distributor gets a very definite area and that Continental will not supply service to anyone else. At least there is no one competing with the regional distributor.

Mr. HALLEY. The territory is cut up.

Mr. COY. The territory is cut up, and the same applies to the subdistributors so far as we were able to determine in 1943. I wondered about the question of places like New York City, Chicago, and our large cities, if they restrict their subdistributors to certain blocks, or if there is a certain amount of competition between subdistributors.

Mr. HALLEY. Are you familiar with the events that transpired in Nevada a couple of years ago where, as you have mentioned, off-the-track betting is legal, with reference to discrimination?

Mr. COY. I was not familiar with it, but Mr. Becker tells me that in the State of Nevada a number of years ago we had a case of some unlicensed radio operators who broke into the office of one of these subdistributors and set up an arrangement whereby they could get the information coming in over the Continental wire to this distributor and distributed it by means of an unlicensed radio to their own subscribers out there, their own customers. I believe at about the same time there was what you might call an invasion of that territory by a fellow from some place over in California, I think, southern California, Los Angeles, Siegel.

Mr. HALLEY. Bugsy Siegel.

Mr. COY. And it seemed that as a result of the gang warfare that ensued resulting in his death, there was a hearing in the State of Nevada on the question of the licensed bookmaking out there. Whether or not that was directed at the invasion of Siegel there to set up competition or whether it was directed at these fellows who undertook to steal the service from Continental and spread it to their customers by means of unlicensed radio, or whether Siegel had any connection with these fellows who stole it from Continental, I do not know. At any rate, there were those circumstances that existed there.

Mr. HALLEY. Isn't it a fact that after the murder of Bugsy Siegel following the events you have just described, there was a fear in the State of Nevada that open warfare would break out as a result of the discrimination among customers for the wire service?

Mr. COY. Mr. Halley, I don't know of my own knowledge.

Mr. HALLEY. But you do know that shortly thereafter the State instituted a series of hearings.

Mr. COY. Yes; I know that.

Mr. HALLEY. Do you know that shortly after the hearings and as a result of the hearings the State of Nevada passed a law making it necessary for any distributor of racing information available to all customers without discrimination as to prices?

Mr. COY. No; I didn't know that.

Mr. HALLEY. In that way, by eliminating that element of discrimination and monopoly, the State of Nevada ended the warfare. Has that been brought to your attention?

Mr. COY. Peace has come to Nevada, I understand.

Mr. HALLEY. Did you know that shortly before the hearings, right after the death of Bugsy Siegel, a man appeared from New York who, without any investment whatsoever or any previous residence or knowledge of events in the State of Nevada, took over all of Bugsy Siegel's interests in the racing book?

Mr. COY. No; my interests didn't run to following it so intimately as that.

Mr. HALLEY. Would it indicate to you, if that were so, that there is some connection between this discrimination in the use of the monopoly and some over-all or Nation-wide gang control of this monopolistic distribution?

Mr. COY. That, plus the fact that there is no competition in an area where many men who have been engaged in a lot of gangster activities are participating, indicates to me that they maintain their own kind of law and order in this business in some way. Those things just don't happen where as much money is at stake as there is in this sort of busi-

ness. While I could not prove it to satisfy a court, in my mind I am convinced that through this device of selecting the regional distributors and the subdistributors and giving them what amounts to exclusive territory, there is some single person or some single organization located in New York City, Cleveland, Chicago, Miami, Fla., Los Angeles, or a combination of those places, who exercises this kind of control and maintains peace among the people who are not given to peaceful pursuits.

Mr. HALLEY. In fact, Mr. Coy, you mentioned in your statement, at least you referred to the report of the Commerce Committee that a Mr. Ragen, who was one of the partners in Continental, was murdered and that the reason he was believed to have been murdered was that he refused to allow certain Chicago gangsters to have a part of Continental Press, is that right?

Mr. COY. That was the report that was common at the time of his murder. It took a couple of efforts to get him dead.

Mr. HALLEY. Has there been reported to you or brought to your attention the fact that Mr. Ragen, immediately before his murder, went to the local police department and warned them that he expected to be murdered and asked protection and disclosed fully the names of the gangsters he thought would murder him?

Mr. COY. I recall that.

Mr. HALLEY. That would also indicate that this monopoly is enforced by illegal and violent means, would it not?

Mr. COY. It certainly would indicate that the pursuit of that line of questioning is a very important one. I feel that that is true. I think the pursuit of that line of questioning at places where it is calculated to get such information would bear results. Between the perjury statutes on the one hand and the antitrust law on the other, I believe you can get such information.

Mr. HALLEY. Did you have knowledge of the fact that wire service was and is furnished throughout the State of Florida to a syndicate which operates on Miami Beach under the name of S. & G. Syndicate?

Mr. COY. I am told it is in the record of the WMIE case we referred to a moment ago.

Mr. HALLEY. I was wondering whether there would be within your jurisdiction the question of whether a public utility furnishing such service could summarily cut it off over a period of time that negotiations might be pending on a change of management from local interests to Chicago interests. Would that be a matter that the Federal Communications Commission would look into?

Mr. COY. I think we could look into it, but I just do not know now what violation there would be.

Mr. HALLEY. If it were brought to your attention that 2 years ago the S. & G. Syndicate was owned and operated by people then local residents of Miami and that certain people in Chicago, known to be connected with the various syndicates in the racing business there, sought to purchase a part of S. & G.'s syndicate, and that for a period of 10 days the wire service just went dead until the negotiations were completed, would such cessation of wire service be within your jurisdiction?

Mr. COY. I doubt that because I suspect, without knowing the facts, that this syndicate you referred to as S. & G. operated by means of leased facilities over Western Union or A. T. & T. lines, and this question of whether or not a leased facility was in continuous operation would not seem to be within our jurisdiction.

Mr. HALLEY. Even if the leased service were arbitrarily discontinued?

Mr. COY. If the operators of S. & G., who had been getting service for a period of time, wanted to continue to use the service, I think there would be a question as to whether Western Union was furnishing service in accordance with the regulations of the Commission. In other words, they could not cut it off to a subscriber arbitrarily. But if S. & G. was going out of business and there were negotiations on as to who its successor was to be, and they were not offering to use those facilities, I don't believe the Commission would have any jurisdiction over whether there was a continuous use of those facilities.

Mr. HALLEY. Going on with the nature of this off-the-track monopoly in the dissemination of betting information, we have covered the elements of discrimination and violence which enter into this monopoly. I believe you have mentioned a third element, the element of corruption of law-enforcement officers. Is that right?

Mr. COY. I have mentioned that. Again I do not know that to be a fact except as you hear complaints about the lack of law enforcement. There are all kinds of ways in which corruption of local law-enforcement officials might contribute to the maintenance of the monopoly.

Mr. HALLEY. For instance, it is notorious that in many States, including, I believe, the State of Florida, betting off the track is illegal; is that right?

Mr. COY. Yes.

Mr. HALLEY. And it is also open and notorious information that in the State of Florida in almost every hotel during the winter season bets are openly and notoriously accepted. Is that not right?

Mr. COY. That I am told. I haven't been in Florida, but I am told that is true.

Mr. HALLEY. Isn't the conclusion inescapable, as the third element of this monopoly, that law-enforcement officers are at least failing to do their duty in allowing monopoly to exist in this item, which is a bet on a horse race?

Mr. COY. If any illegal operation exists with common knowledge about it, you are almost forced to the conclusion that it is tolerated by local law-enforcement officials. It is just inescapable, it seems to me, and in the cases where illegal betting takes place in semipublic rooms, like hotels or poolrooms or rooms in office buildings, it just seems inescapable that it can't be outside the knowledge of local law-enforcement officials, and if there is a law that says that it is illegal, they have the burden of enforcing such law.

Mr. HALLEY. That would be true, you believe, in at least a substantial number of States?

Mr. COY. I should think it is very apt to be true in 47 of 48.

Mr. HALLEY. Thank you.

The CHAIRMAN. Senator Hunt has another matter.

Senator HUNT. Mr. Coy, could you get for this committee the names of the sponsors of the racing newscasts locally here in the city of Washington and what the sponsors pay for that time, and make it available to the committee?

Mr. COY. Yes; we can make it available. It will take us a little while to get it.

(The information referred to was later furnished to the committee, and is on file as exhibit No. 3.)

The CHAIRMAN. Mr. Robinson, do you have any questions?

The committee greatly appreciates the contribution you have made to our inquiry. It has been frankly and fully done. You have a very able staff, and I think you are a capable Chairman. It occurs to us preliminarily, at least to the chairman of the committee, that in connection with operations like those of Continental and some of the distributors and subdistributors, if they are under State regulation, they are not being effectively regulated.

Mr. COY. I don't believe they are under State regulation.

The CHAIRMAN. Of course, we do not want the Federal Government to assume jurisdiction in any matters where there is effective regulation and where it is not necessary, but these organizations do operate in interstate commerce, and I think it might be a very interesting study for your staff to look into the matter of whether there is effective regulation and whether it is necessary as an integral part of the whole communications system or whether it should be stopped, with particular application to these companies like Continental, Pioneer, and others that we know about.

We are very grateful to you and the members of your staff for coming up and giving us the benefit of the information which you have and for your opinion about matters affecting communications in interstate commerce.

Mr. COY. Thank you, Senator.

The CHAIRMAN. The committee is in recess until 10 o'clock tomorrow morning.

(Whereupon, at 12:30 p. m., the committee recessed until 10 a. m., Friday, June 23, 1950.)

INVESTIGATION OF ORGANIZED CRIME IN INTERSTATE COMMERCE

FRIDAY, JUNE 23, 1950

UNITED STATES SENATE,
SPECIAL COMMITTEE TO INVESTIGATE
ORGANIZED CRIME IN INTERSTATE COMMERCE,
Washington, D. C.

The committee met, pursuant to recess, at 10:15 a. m., in room 457 Senate Office Building, Senator Estes Kefauver (chairman) presiding.

Present: Senators Kefauver, Hunt, and Wiley.

Also present: Rudolph Halley, chief counsel; George S. Robinson, associate counsel; Alfred M. Klein, assistant counsel, and Harold G. Robinson, chief investigator.

The CHAIRMAN. The committee will come to order. The committee is glad to have with us this morning Mr. Clifton C. Garner, Chief Post Office Inspector, and with him is Mr. Peter J. Connolly, of the Solicitor's Office.

Mr. Garner and Mr. Connolly, we appreciate your appearance here, and we thank you for cooperating with the committee and for your description of the work that you do which may relate to matters that we are interested in.

Mr. Garner, we have a general rule of the committee that we swear all of our witnesses. Do you solemnly swear the testimony you will give will be the whole truth and nothing but the truth, so help you God?

MR. GARNER. I do.

TESTIMONY OF CLIFTON C. GARNER, CHIEF POST OFFICE INSPECTOR, ACCOMPANIED BY PETER J. CONNOLLY, ASSISTANT SOLICITOR, POST OFFICE DEPARTMENT

The CHAIRMAN. All right, Mr. Garner. You do not have a prepared statement, I believe.

MR. GARNER. No, I have not, Mr. Chairman. I have notes to which I would like to make reference from time to time.

If I understood your question correctly, you would like to have me state first some of the functions of the Inspection Service.

The CHAIRMAN. That is right. First, Mr. Garner, how long have you been the Chief Post Office Inspector?

MR. GARNER. Since July 19 of last year, 1949.

The CHAIRMAN. Prior to that time you were where?

MR. GARNER. Prior to that time I was Director of City Delivery Service. Prior to that time I had jurisdiction over a portion of the country on all matters pertaining to post office service.

The CHAIRMAN. How long have you been in the postal service altogether?

Mr. GARNER. Thirty years last March.

The CHAIRMAN. We would be glad to have you tell us about the postal service, the statutes that you have under your jurisdiction, the problems that you have, and any suggestions that you have as to your service, such as amendments of statute, which might be of interest or help to this committee in its inquiry and also in making its recommendations for any changes or additions to statutes that might be helpful in connection with the matter of organized crime in interstate commerce.

Mr. Garner, it would be of assistance if we first put in the record as exhibits Nos. 4 through 9 the six statutes that relate to the postal service in which this committee might be interested.

Mr. GARNER. I think it would be very helpful, Mr. Chairman.

The CHAIRMAN. The first I believe would be title 18, United States Code, Crimes and Criminal Procedure, chapter 41, Extortions and Threats, section 871 and section 876, which relate to threats against the President, and mailing threatening communications, and section 877, which has to do with threatening communications from foreign countries. That will be exhibit No. 4.

Chapter 61, section 1301, has to do with mailing lottery tickets or related matters; section 1303, postmaster or employee as lottery agent, which will be exhibit No. 5.

Chapter 63, sections 1341 and 1342, which have to do with mail fraud, will be exhibit No. 6.

Chapter 71, section 1461, has to do with mailing obscene or crime-inciting matter through the mails.

This will be made exhibit No. 7.

As exhibit No. 8 we should put in section 1463, mailing indecent matter on wrappers or envelopes.

Chapter 83, section 1716, which has to do with sending dangerous substances through the mails, will be exhibit No. 9.

Are those all of the statutes?

Mr. GARNER. I believe that would pretty well cover it.

(The statutes referred to, exhibit Nos. 4 through 9, appear in the appendix on pp. 244 through 248.)

The CHAIRMAN. Any general statement you would like to make, we would be glad to hear, Mr. Garner.

Mr. GARNER. Mr. Chairman, I would like to explain briefly the functions of post office inspectors. Each post office inspector is a special representative of the Postmaster General and virtually acts as his eyes and ears with respect to the postal establishment. The Inspection Service is charged with the investigation of all matters connected with or of concern to the postal service and the inspectors by means of rendering reports keeping the Postmaster General and his assistants informed of the condition and needs of the entire service.

For convenience, the work of the inspectors may be grouped under two broad general classifications: One, investigations of matters having to do with providing the best possible postal service to the public and, two, the apprehension of those who violate criminal and postal laws. The latter is of course what this committee is very much interested in.

Under the heading of criminal investigations or those involving the audit of accounts to detect embezzlement and illegal withholding of funds and the prevention and eradication of mail losses due to theft, rifling, and other criminal motives. This is especially important to the citizens who entrust millions of pieces of mail to the postal service, representing tremendous money values as well as personal and business secrets. Inspectors are constantly alert to detect and bring to justice thieves and marauders who prey upon the mails. They also investigate claims for reward for information leading to the arrest and conviction of mail robberies, burglaries, and hold-up men. Other violations of criminal postal laws investigated by inspectors include the forging and altering of money orders, postal notes, and postal savings certificates, fraudulent use of the mails, the mailing of explosives, poisons, obscene and other unmailable matter.

Inspectors also devote considerable time to the prosecution of postal law violators. The decision whether to prosecute rests with the local United States district attorneys, but it is the duty of inspectors to obtain and present the evidence upon which prosecutions are based. They also testify when the cases are presented to United States grand juries or are brought before the courts for arraignment and trial and otherwise assist in the prosecution of criminal offenses. Some cases are handled in State courts, and some assistance is given by inspectors to the local law-enforcement officers.

While the numerous other duties of inspectors do not permit them to devote full time to the investigation of criminal postal law violations, nevertheless 5,388 arrests were made as a result of their investigations, and 4,387 persons were convicted in 1949. As an indication of the thoroughness of the investigations and adequacies of evidence presented, statistics have shown that over 95 percent of those arrested are convicted and about 90 percent of those convicted plead guilty. Arrests for postal law violations occur most frequently in connection with theft and rifling of mail from mail receptacles. About fifth on the list would be those who violate the fraud statutes. Inspectors act under the immediate supervision of inspectors in charge and are assigned to domiciled officers throughout 15 field divisions. Each domicile is the central office of one or more territories assigned to the individual inspectors, and the inspector assigned to a territory usually performs all the work arising therein. There are 815 inspectors at present, of which 15 are inspectors in charge, and 15 are assistant inspectors in charge.

During the fiscal year 1949, there were 150,569 investigations made. Of that number, 11,692 were what we call the F series or violations of the fraud statute.

MR. HALLEY. Mr. Garner, before you leave the F series of violations of the fraud statutes, could you just in brief form give a few examples of the various types of mail fraud, whether they are serious crimes or trivial crimes, and how the mail fraud statutes can be used?

MR. GARNER. There are so many ways that people who set out to defraud may operate, they are just too numerous to mention. I think those you are particularly interested in are those pertaining to lotteries, such as turf tipster cases and things of that nature.

MR. HALLEY. I think so, but before we go into that, I would appreciate your illustrating to what acts mail fraud attaches. If mails are

used in connection with any scheme to defraud, is there a violation of the statute, generally speaking?

Mr. GARNER. If the mails are used with the intent—

to devise any scheme or artifice to defraud, or for obtaining money or property by means of false or fraudulent pretenses, representations, or promises, or to sell, dispose of, loan, exchange, alter, give away, distribute, supply, or furnish or procure for unlawful use any counterfeit or spurious coin, obligation, security, or other article, or anything represented to be or intimated or held out to be such counterfeit or spurious article, for the purpose of executing such scheme or artifice or attempting so to do, places in any post office or authorized depository for mail matter, any matter or thing whatever to be sent or delivered by the Post Office Department, or takes or receives therefrom, any such matter or thing, or knowingly causes to be delivered by mail according to the direction thereon, or at the place at which it is directed to be delivered by the person to whom it is addressed, any such matter or thing, shall be fined not more than \$1,000 or imprisoned not more than 5 years, or both.

Mr. HALLEY. To illustrate a little further, you mentioned tipster sheets or sending trick schemes through the mail in order to induce the public to part with its money. That is one phase of it.

Mr. GARNER. Yes.

Mr. HALLEY. On the other hand, mail fraud can also be used for such complicated schemes as very involved embezzlements, can they not?

Mr. GARNER. Oh, yes. For confidence schemes in many cases.

Mr. HALLEY. Would a good illustration be the Associated Gas case in which a tremendous amount of money was embezzled from a huge corporation, and the mails just happened to be used in nefarious ways, and still it was possible to convict under the mail fraud statute, isn't that right?

Mr. GARNER. I am not personally familiar with that particular case, but I am sure that what you say is true. If the public was defrauded and the mails were used in connection therewith, then surely a conviction could be obtained with the proper evidence presented.

Mr. HALLEY. Even the mailing of a check by a bank for clearance to another State would be a mailing that would suffice for conviction under the mail-fraud statute, is that right?

Mr. GARNER. It has been held by some courts, I understand, that under certain circumstances that is true. Some courts have held that it is not.

Mr. HALLEY. It depends on when the mailing takes place and the circumstances.

Mr. GARNER. That is it exactly. My understanding is that if the scheme has been completed before the check clears from one bank to the other, for instance, by mail, then it may not be held that the mails were used to defraud.

Mr. HALLEY. Thank you.

Mr. GARNER. Answering your question concerning the turf tipster cases, we do not have many of those cases, but certain individuals will devise a scheme to sell a system or sell information which they claim in many cases will insure a profit. This system, as a general rule, provides for a study from racing forms of the history of the horses. This operator in checking the record will add up points for each of the horses in a particular race and decide finally that a certain horse should win the race. In glowing terms in many cases he will advertise in literature to a mailing list that he can assure these people an enor-

mous profit if they will follow his system. We have had convictions in some cases after investigations of men of that kind.

I may give you a concrete example of that here. A number of years ago there were five brothers, two brothers-in-law, and other associates in Brooklyn, N. Y., who operated a big business along the line that I was just describing. This scheme was conducted under more than 126 different assumed names by Jake Adelman, of Brooklyn, N. Y., and his four brothers and brothers-in-law and other associates, from about 1920 to 1938. It was estimated that over \$5,000,000 was filched from the betting public in the sale of advice relative to the placing of wagers on horse races under the false representation that it was advance information and the inference of payments of huge sums to owners, trainers, and jockeys for information and fixing of races. There were 46 indicted; 21 pleaded guilty and were given suspended sentences and placed on probation for from 1 to 3 years.

The Gold Bond Co., of Chicago, Ill., operated for many years. Investigation began in 1938, and it revealed that this company handled various lottery tickets based on sporting events, United States Treasury balances and combinations thereof. One such lottery was fraudulently operated under the name of Will Rogers Memorial Hospital Charity Fund. Branch headquarters of Gold Bond Co., which had been in business for 15 years, were located in New Jersey. The operations of the concern were Nation-wide and there were hundreds of distributors and agents. The mails were used extensively. Twelve million purported tickets on various devices of chance were turned out annually, but only a small part of the promised prizes was ever paid out. It was estimated that more than \$20,000,000 were filched from the public by the syndicate operating the Gold Bond Co.

After lengthy investigation the matter was presented to a grand jury in 1939, and indictments were returned against 72 defendants, charging use of mail to defraud, shipment of lottery matter interstate, use of mails to promote lottery, and conspiracy. Seventy-one defendants were convicted. The principal promoter was a noncitizen, a lottery promoter for years, and had previously been convicted for income-tax evasion, for which he was sentenced to 20 months in jail and fined \$2,000. In the Gold Bond case he was fined \$22,000, sentenced to 1 year and 1 day in the penitentiary, and put on probation for 3 years. Practically all the defendants in this case had been devoting their full time to the promotion, distribution, and sale of fraudulent lottery matter. The principal promoter was Abraham F. Zimmerman, who had at least two aliases. His assistant promoter was David Edward Burnstein, who had several aliases. Two of the distributors were William Baker, of Indianapolis, who had a long police record, with over 25 arrests, and Julius Zweig, St. Louis, a big racketeer, so they said at the time, in the St. Louis area. He had a previous conviction for income-tax evasion.

Those are two samples of some of the cases that we handled. I am glad to say that we don't have many of those big ones any more. I think they have been stamped out, most of them.

You are interested, I believe, as we are, in keeping obscene matter out of the mail. This is an example of some of the cases along those lines that we handle.

Complaints were received from the parents of seven different minors concerning the receipt by their sons of letters mailed bearing return

addresses of Frank Suffern, Charles Griffin, and James Cunningham, all with the street address, 200 Broadway, New York. The letters contained a sample cartoon booklet of a decidedly obscene nature as well as a printed letter wherein the writer requested the addressee to become an agent for him in the sale of obscene cartoon booklets and other things that are unmailable. Investigation disclosed the return address to be a mail-receiving-privilege office operated by a person by the name of Leon Radell. He had typewritten applications on file for all three names and claimed they were separate individuals. This address was just desk space in an office building. An attempt was made by Leon Radell to identify a man coming into his office as one of the mailers, but this was not the man. Upon questioning at great length, Radell finally admitted that he was the person dealing under those three names. He claimed that he had purchased about 5,000 of the obscene cartoon books for 1 cent each from a person in a cafeteria, who was never identified. He offered them in a circular to the agents for 10 cents each, to be sold for 25 cents. He purchased mailing lists from several sources, but no indication was disclosed to determine he made any attempt not to send to minors. About 750 letters had been mailed and returns were being received from all sources when he was taken into custody. All material was confiscated when he was arrested.

He pleaded guilty and was sentenced to 6 months' probation. He had no previous record.

A person was arrested in Minneapolis for indecent exposure to children, and literature from Radell was found on his person. That is just an indication of what obscene literature might do.

MR. HALLEY. Does the post office police the mails or do you wait for a complaint?

MR. GARNER. We wait for the complaints. There is no other way, as a general rule. We cannot under the law, of course, open first-class mail. The only time we open other classes of mail is when we suspect that it contains unmailable matter.

MR. HALLEY. By and large, you act on complaints?

MR. GARNER. Yes, sir; that is true.

MR. HALLEY. Would you say that almost exclusively the types of crimes we are talking about are not committed by organized criminal syndicates?

MR. GARNER. They are not. So far as we know, none of the investigations under way today; nor do our records indicate that we have investigated any cases operated by a large syndicate such as you have in mind.

MR. HALLEY. That would not be within your jurisdiction.

MR. GARNER. That is correct, unless there is evidence of violation of the postal laws.

MR. HALLEY. These people operate on the fringes of syndicates and prey on people who bet, is that correct?

MR. GARNER. I think as a general rule they begin as one or two individuals and add to their groups until they have the people they need with which to operate.

MR. HALLEY. They prey on the gullibility of the bettor, is that correct?

MR. GARNER. Yes; that is correct.

Mr. HALLEY. Would you say that over the course of years they have mulcted the betting public out of very large sums of money?

Mr. GARNER. In the aggregate they have in the past. I do not think that there are any great or large operators now.

Mr. HALLEY. There are some operations now, are there not?

Mr. GARNER. Some. We have one inspector who handles all the lottery cases, for instance.

Mr. HALLEY. Have you any lottery cases that you want to tell the committee about?

Mr. GARNER. I have some examples before me here. This we consider a fraud and a lottery, and this dates back about 10 years, an organization called Railroader, in Boston, Mass. Tickets to this lottery were sold throughout New England, and semimonthly drawings with payment of \$14,000 in prizes for each were advertised. The fraudulent lottery was in operation for about 3 years. Drawings were held each month, but the stubs used were not those of the tickets sold. Therefore, no ticket holder could win. Small sums of money were, however, paid out to a selected few in order to stimulate sales in certain communities. Approximately \$500,000 was filched from the public in this scheme, \$125,000 of which went to the promoter. Six principals in the lottery were convicted of using the mails in a scheme to defraud, conspiracy therewith, and use of mails to promote a lottery. All were given penitentiary or jail sentences, which were suspended in the case of four of the defendants. Three of the defendants were also given suspended sentences in State court. The promoter of this scheme was sentenced to serve 1 year and 1 day in a penitentiary and was given a suspended sentence of 1 year and 1 day to run concurrently, and was also placed on probation for 2 years at the expiration of the jail sentence. In addition, he was given an 18-month suspended sentence and 2 years' probation in State court. It is estimated that the promoter had defrauded the public of two or three million dollars over a period of 5 years by his schemes.

The CHAIRMAN. Let us go into that a little bit further, Mr. Garner. How many people were involved and how many were tried?

Mr. GARNER. There were six principals.

The CHAIRMAN. What was the name of that case again?

Mr. GARNER. Railroader, R-a-i-l-r-o-a-d-e-r.

The CHAIRMAN. Over how long a period did they operate?

Mr. GARNER. In this particular scheme I don't have the exact date but this man had operated over a period of 5 years, and it was estimated that he had defrauded the public of two or three million dollars. I am not sure that that was all in connection with this one scheme. Apparently it was not, because there is a statement here with my notes that approximately \$500,000 was filched from the public by this scheme.

The CHAIRMAN. What was his name?

Mr. GARNER. His name was Martin A. Bowman, who had many aliases, in Braintree, Mass.

The CHAIRMAN. You mean the stubs for the lottery that they operated did not compare with the numbers of the ticket holders?

Mr. GARNER. No. He was not using the same stubs.

The CHAIRMAN. So the people had no chance of winning.

Mr. GARNER. No chance whatever.

The CHAIRMAN. What court was Mr. Bowman tried in?

Mr. GARNER. I am not sure. I do not have that information before me, but I presume it was in Boston in the Federal court.

The CHAIRMAN. The United States district court.

Mr. GARNER. Yes.

The CHAIRMAN. Would you get the name of the judge and the court he was tried before?

Mr. GARNER. I would be glad to.

(The information requested was subsequently furnished by Mr. Garner in a letter to the committee dated June 23, 1950. It was marked "exhibit No. 10," and appears in the appendix on p. 248.)

The CHAIRMAN. How much sentence was he given?

Mr. GARNER. He was sentenced to serve 1 year and 1 day in the penitentiary, and was given a suspended sentence of 1 year and 1 day to run concurrently, and was also placed on probation for 2 years at the expiration of jail sentence. In addition, he was given an 18-month suspended sentence and 2 years probation in State court.

The CHAIRMAN. All he was actually sentenced to serve was 1 year and 1 day.

Mr. GARNER. That is all.

The CHAIRMAN. Is that the type of sentence where they can be put on probation within a shorter period?

Mr. GARNER. They frequently do not serve the entire period.

The CHAIRMAN. That comes under the jurisdiction of the parole board when they have served a third of their sentence. Is that not correct?

Mr. BENNETT. Yes.

The CHAIRMAN. A model prisoner is subject to parole after one-third of his sentence has been served.

Mr. BENNETT. That is correct.

The CHAIRMAN. I see that Mr. Bennett, who is director of the Bureau of Prisons, gives his assent to that statement.

This man may have gotten out after $3\frac{1}{3}$ months. You say there were four or five others.

Mr. GARNER. Five other principals.

The CHAIRMAN. Five other principals. Some of them were given suspended sentences?

Mr. GARNER. I do not have that information in front of me, Mr. Chairman. I can get it for the record, if you like.

The CHAIRMAN. You related some history of what happened to the other people.

Mr. GARNER. I beg your pardon, I do have that, too. Six principals in the lottery were convicted of using the mails as a scheme to defraud, conspiracy therewith, and the use of mails to promote a lottery. All were given penitentiary or jail sentences which were suspended in the case of four of the defendants. Three of the defendants were also given suspended sentences in State court. I don't have the information as to what was done.

The CHAIRMAN. It must have been awfully discouraging to the postal inspector and the post office solicitor's office that these people got off so easily.

Mr. GARNER. It is discouraging from one standpoint when these people are permitted to begin their schemes again. I can give you an example of that, too. An inspector was in my office 2 or 3 days ago and explained to me a case that he handled in New York about

15 years ago. A man was arrested named Little, and he was prosecuted as a turf tipster for use of the mails to defraud. This man had apparently never been arrested before, for that offense at least, and he asked the inspector what was the maximum prison sentence that he could get. The inspector answered and said 5 years on each of the four counts, which would be 20 years. He said, "I have made up my mind already that if I have to serve those 20 years by that time I will have really worked out a scheme and I will go to work then."

This inspector was transferred to the Los Angeles division at his own request a few years ago, and he got another case of that kind, and he ran into the same man using an assumed name, a fictitious name, and operating in substantially the same way. They recognized each other. This man admitted that he was still trying to make money the same way he had been when he was convicted. This man actually served about two-thirds of a year and a day sentence that he was given in New York back about 15 years ago.

The CHAIRMAN. Mr. Garner, I am not being critical, or course, but from the viewpoint of preventing mail frauds and violations of the postal statutes, do you feel that more severe sentences would be helpful in your work and also would be a protection to the public?

Mr. GARNER. You mean to revise the laws so that the penalty would be greater? Is that your thought?

The CHAIRMAN. Yes, sir; that is what I mean.

Mr. GARNER. I am fearful that that might be a deterrent the other way. I am like you; I don't want to be critical of any judge or any court. If a judge is inclined to be lenient and the penalty is greater, it would seem to me that he would be inclined to give more suspended sentences if the minimum penalty were greater than it is now.

The CHAIRMAN. When a matter is presented to the district court or to a State court, does the district attorney or the solicitor's office of the Post Office Department give the judge the benefit of the full record as known of the defendant?

Mr. GARNER. The post office inspector writes a report to United States District Attorney where it is a Federal offense and gives him all the facts that he has obtained in his investigation, and usually they are very complete.

The CHAIRMAN. You may proceed with anything else you would like to state.

Mr. GARNER. I have several similar examples of cases that post office inspectors have investigated. One of these would perhaps be interesting to the committee. It has to do with bookmaking activities involving the mailing of circulars relating to bets on horse races and baseball games, mailing of receipts and acknowledgement of debts and otherwise using the mails in conducting the business. It has been reported that C. J. Rich & Co., of East St. Louis, Ill., handled up to \$500,000 a day in bets. That is our understanding. Following investigation in 1949 by post office inspectors, the defendants in this company and a company known as the Melba Co. were indicted for violation of the postal lottery statutes and conspiracy to do so. The defendants filed a motion to dismiss the indictment as being insufficient in form and substance. The court held that the form of the indictment was sufficient, but that the acts cited were not considered to violate the postal fraud statutes, contending that skill is involved in picking

winners, especially in horse races. The sitting judge was Judge Wham. He termed the operation of these firms more evil and much more pernicious than lotteries which are prohibited from the mails, but suggested that Congress would have to broaden the laws to cover such operations. The indictments were dismissed.

The CHAIRMAN. Let us go into that matter a little further. This is the same C. J. Rich & Co. whose books were subpoenaed some time ago by State authorities upon the suggestion, I believe, of Governor Driscoll, of New Jersey. These people apparently continued to operate after the 1949 case; is that correct?

Mr. GARNER. Yes, sir; that is correct.

The CHAIRMAN. What was the name of the district judge in St. Louis?

Mr. GARNER. Judge Wham. I don't have his given name.

The CHAIRMAN. He held that even though the allegation showed that they were laying off bets or engaged in the bookmaking business to the extent of \$500,000 a day, in which they used the mails to send out information about who was going to win horse races, and to receive bets, that was not a violation of the lottery statute?

Mr. GARNER. That was his ruling; yes, sir.

The CHAIRMAN. Some skill was used in diagnosing who was going to win?

Mr. GARNER. That is correct.

The CHAIRMAN. Did the Post Office Department or the district attorney appeal from Judge Wham's decision, or was it not an appealable case?

Mr. GARNER. Yes; it was, but it was decided by the United States attorney not to pursue the case further.

The CHAIRMAN. Was that with the concurrence of the solicitor's office in the Post Office Department?

Mr. GARNER. No. They would not have had anything to do with that, Mr. Chairman. The Department of Justice, the Attorney General, perhaps, would have been the only one who could have directed the United States attorney to proceed further, and I feel quite certain that the advice of the Attorney General was not requested in that case.

The CHAIRMAN. You mean the district attorney took the action on his own. Who is the district attorney?

Mr. GARNER. I don't recall his name, and I do not have it before me. It was the district attorney in East St. Louis, representing the district.

(Mr. Garner subsequently submitted a correction to his testimony in a letter to the committee, dated July 7, 1950. The letter is herewith incorporated into the record.)

JULY 7, 1950.

Hon. ESTES KEFAUVER,

*Chairman, Senate Special Crime Investigating Committee,
United States Senate.*

DEAR MR. CHAIRMAN: Reference is made to my testimony before your committee on June 23 with respect to the decision of Judge F. L. Wham, East St. Louis, Ill., that the operations of Charles J. Rich et al. and Frank Camarrata et al. involving use of the mails in bookmaking schemes did not violate the postal lottery statutes.

In response to a question whether the United States attorney involved had appealed the decision, I informed the committee that he had not. Since that

time it has come to my attention that the United States attorney had submitted the question of appeal to his superiors in Washington, so that final decision in the matter was not made by the United States attorney.

I believed I should clarify this point with you.

Sincerely yours,

C. C. GARNER,
Chief Inspector.

The CHAIRMAN. The Melba Co. operated in the same manner; did it not?

Mr. GARNER. Yes, sir; that is my understanding.

The CHAIRMAN. These operators, as I recall, send out information through the mail to people so they can place bets on horses, and they will take the bets and they will remit the proceeds through the mail.

Mr. GARNER. That is my understanding, either through the mails—

The CHAIRMAN. Or through Western Union.

Mr. GARNER. Or through the telegraph offices.

The CHAIRMAN. Does the solicitor's office of the Post Office Department agree that under the present law that interpretation is correct?

Mr. GARNER. The Solicitor wouldn't have anything to do with that, Mr. Chairman. We, as a general rule, do not feel that we should press these cases because it is not within our jurisdiction to make a determination. We obtain the facts.

The CHAIRMAN. Yes; I know you are not charged with the over-all duty of law enforcement.

Mr. GARNER. That is correct. We make the investigations.

The CHAIRMAN. It is an inspection service to get the facts and present the facts, and from that point on it is the duty of the district attorney.

Mr. GARNER. Yes, sir.

The CHAIRMAN. Senator Hunt, do you have any questions?

Senator HUNT. Is this operation in East St. Louis where you were unsuccessful in getting convictions still active?

Mr. GARNER. No, sir. So far as we are concerned, that case is closed.

Senator HUNT. I do not mean the case, but is the information still being sent through the mail and is the operation still being carried on?

Mr. GARNER. I am sure it must be. I have not checked on that since this case was closed, but I feel certain that they have not changed their methods of operation.

Senator HUNT. Do you consider the operations of Mr. Carroll, of St. Louis, the betting commissioner, a recognized betting authority in the United States, to be legal?

Mr. GARNER. I am not familiar with those, Senator Hunt. I cannot answer that question.

Senator HUNT. Whose responsibility is it to look further into these operations in East St. Louis, which may still be actively carried on?

Mr. GARNER. We don't get into these cases unless we get complaints, and we don't know about them until we get complaints, as a general rule. For instance, in lottery cases where many thousands, perhaps many millions of dollars have been filched from the public, in many cases we may get one complaint. The average person will not complain when he spends one dollar for a lottery ticket. Of course, he

does not know whether they are legitimate lotteries. He is hopeful that they are. If he doesn't hear any more about it, he just forgets it, it seems. We don't get many complaints of that kind.

Senator HUNT. Do you ever initiate investigations on your own without waiting for a complaint?

Mr. GARNER. We do, yes. If we find that the mails are being used in violation of the law, if that comes to our attention, even without a complaint, we of course will make the investigation.

The CHAIRMAN. Mr. Garner, in these lay-off bets where, for instance, the bookie may lay off a bet with Frank Erickson, or used to, anyway, either in New York or in New Jersey: those clearances and the statements of account do go through the mails; do they not?

Mr. GARNER. It is very likely that they would.

The CHAIRMAN. Could that be conceived to be a violation of any postal statute?

Mr. GARNER. No, Mr. Chairman; I don't believe that that would be a violation of the postal laws.

Mr. HALLEY. You do not want to go clearly on record without knowing whether or not in connection with that use of the mails there might be a fraud on someone; do you?

Mr. GARNER. From the question, I do not see how there can be, but I certainly would not go on record as saying definitely that there is not unless there is some evidence of fraudulent use of the mails or something that is prohibited in the mails.

Mr. HALLEY. Let us take the thing piece by piece. As Senator Kefauver pointed out, if a bookie, say in Palm Beach, Fla., mails a check to a lay-off bettor in Los Angeles, Calif., that is a mailing, isn't it?

Mr. GARNER. Yes; that is mailing. That is using the mails.

Mr. HALLEY. If some place in connection with the use of that mail those two people are defrauding anyone at all and have devised a scheme to defraud anyone, you would have mail fraud under section 338 of title 18, would you not?

Mr. GARNER. There is a possibility. I would not want to answer that as positively being a mail fraud or not.

Mr. HALLEY. In other words, it is something that is at least subject to investigation?

Mr. GARNER. Yes; I would say so.

Mr. HALLEY. Thank you.

The CHAIRMAN. But your point was that if a bookie took the bet and laid off a part of it with someone in another State and there were a mailing of checks back and forth in connection with that bet, in the absence of some particular scheme to defraud other than just the mere betting, that would not be something that you would go into.

Mr. GARNER. No, sir; we would not go into that under those circumstances, particularly in view of Judge Wham's decision.

Mr. HALLEY. Suppose one of the purposes of this lay-off betting was to defraud the State of the taxes on the bet; do you think you might work out a mail fraud then?

Mr. GARNER. I think we should look into it if that is happening and we get the information.

Mr. HALLEY. First, they are taxable in most States where pari-mutuel betting is permitted, are they not?

Mr. GARNER. I am sorry. I did not hear your question.

Mr. HALLEY. Bets at race tracks are taxable, are they not?

Mr. GARNER. I understand that where they have pari-mutuel machines in operation, the State exacts a certain percentage as taxes.

Mr. HALLEY. And the revenues are very substantial, are they not?

Mr. GARNER. That is my understanding.

Mr. HALLEY. If big bets were placed in such a way that the State did not get the tax, there could conceivably be a scheme to defraud the State of its taxes; could there not?

Mr. GARNER. There would seem to be, but there again, I think, the United States attorney would have to make the decision as to whether that would be a violation.

Mr. HALLEY. It is something worth looking into in any event, is it not?

Mr. GARNER. Yes; we could look into that.

The CHAIRMAN. It is only your duty to get the facts about them.

Mr. GARNER. That is correct, sir.

The CHAIRMAN. I think I might say, Mr. Garner, that the committee ran into this situation, for example, in the State of Florida at some of the tracks and this may be prevalent at other tracks, but we have not run into it. Where they do have a pari-mutuel and the State, of course, gets a tax on the bets that go through the pari-mutuel machines, some of the gamblers would go in to the race tracks, to a stable, and instead of letting the clients go in and place their bets through the machine, the bookie would just handle it out of his own pocket with the people, without placing the money through the pari-mutuel machines at all. Naturally on the odds posted on the board the bookie would get the money that otherwise would have gone for State tax and expenses.

There was testimony that part of the consideration was to enable him to get the money that otherwise would go to the State for the purpose of paying tax. In connection with those operations we did find where books of accounts, check books and checks, and interstate facilities generally were used. That might be something for somebody to look into.

Mr. GARNER. I think we could look into it. You might have to prove intent to commit fraud there because that is part of the law, to devise a scheme with intent to defraud. It is something that we could certainly investigate.

The CHAIRMAN. The person who would be doing this would be getting the track odds and he also would be getting the odds that otherwise would go to the State in the form of taxes.

I would be glad if you would proceed on with any other types of cases you may have. The committee is very much interested in them, Mr. Garner.

Mr. GARNER. I have other cases with me, but they are similar to those that I have already described. Perhaps this would be an interesting one.

Arthur McKell and George J. Tennant, citizens of Australia, flew to this country in 1947 allegedly to sell books on the southwest Pacific to former GI's in this country, those who were in Australia. McKell traveled about contacting veterans' organizations for list of members who had served in the Pacific. Tennant, claiming to be a journalist

interested in matters regarding the American worker, contacted trade-unions for lists of members. Lists obtained were mailed to Australia where some 60,000 letters were prepared and sent to the names listed, soliciting the purchase of lottery tickets and also asking each recipient to act as an agent for friends and associates. Inspectors soon became aware of the scheme and exchange post offices were alerted to the appearance of the solicitations. These were caught and stamped "supposed to contain matter prohibited importation by the PL&R," postal laws and regulations, which resulted in postmasters securing custody of the letter after delivery to the addressee. Of course, as you know, we do not open first-class mail, but when a letter supposed to contain lottery material, for instance, is held at the post office, the addressee is asked to call there and open the letter. If it does contain lottery material, it is turned over to the postmaster. That is, on foreign mail coming in.

The CHAIRMAN. Do you not do that on domestic mail?

Mr. GARNER. So far as I know, that has never been done. I do not believe the law would permit us to do that. We might do it, we might request it, but the patron could refuse to turn it over, and I am sure that he would be within his rights.

Approximately 150 fraud orders were issued against the various addresses in Australia given for returns, the return addresses used on this mail. This action was very effective and soon put an end to the solicitations.

Within a few weeks after their arrival McKell and Tennant were arrested, prosecuted, and convicted for violation of the postal lottery statutes. They were permitted to leave the United States or serve a term in the penitentiary, and they left the United States.

The CHAIRMAN. They did not serve any time?

Mr. GARNER. No, sir; they didn't serve any time.

The CHAIRMAN. Do you have any other similar cases that you could put in the record, Mr. Garner?

Mr. GARNER. Yes, sir; I have two or three more here.

The CHAIRMAN. We might have some other questions, and if they are similar, we would appreciate it very much if you just put them in the record.

Mr. GARNER. All right, sir.

(The other cases referred to were supplied by Mr. Garner and are included, as exhibit No. 11, in the appendix on p. 249.)

The CHAIRMAN. As I understand it, you have approximately 800 inspectors in the postal service.

Mr. GARNER. We are limited by law to 815 at the present time.

The CHAIRMAN. Postal inspectors have a splendid reputation for efficiency in their work.

Mr. GARNER. Thank you, sir.

The CHAIRMAN. They have made 150,000 investigations in 1949?

Mr. GARNER. That is correct.

The CHAIRMAN. Something over 11,000 were under the so-called fraud statutes.

Mr. GARNER. Yes, sir. Many of those are cases that were jacketed on one or two complaints, the failure of a concern to send merchandise or to refund money.

The CHAIRMAN. What percentage of the investigations were in connection with the statute?

Mr. GARNER. I don't have the percentage in front of me, but I can get that information for the record.

The CHAIRMAN. If it is not too much trouble, will you supply that?

(Mr. Garner subsequently informed the committee that 7.7 percent of all postal investigations were in connection with the fraud statutes.)

The CHAIRMAN. The committee's attention has been called to various kinds of comic books, crime books, which are a big business in the country today. The comic books usually seem to be all right. Some of the crime books do not seem to be particularly obscene. But there are certain of these crime books that encourage juveniles to try to commit a more perfect crime, and undoubtedly have quite an effect on juvenile delinquency. It has been so stated by Mr. J. Edgar Hoover in some of his pamphlets and speeches. Also investigation has been made of actual cases where a juvenile tried to commit this offense or that offense, and said he got that idea out of a crime story.

Mr. GARNER. That is correct.

The CHAIRMAN. My personal opinion is that one of the substantial reasons for the great amount of juvenile delinquency today is that children are reading this kind of literature rather than something that is more wholesome. Do the postal regulations put any obstacle in the way of sending these bad types of crime books through the mail?

Mr. GARNER. No, sir; we do not try to police that at all. There is no law to prohibit the sending of that type of material through the mail.

The CHAIRMAN. I believe Canada does have a law on that.

Mr. GARNER. Canada does. It was passed last December.

The CHAIRMAN. I think the State of California has attempted to enact some kind of law governing intrastate commerce.

Mr. GARNER. Yes, sir, I understand they have, and I understand some cities have banned the sale of certain of those comic books.

The CHAIRMAN. You may be familiar with the activities of Dr. Wertham, famous criminologist and juvenile psychiatrist in New York, who has made a very extensive study of the results and effects of some of these crime books, and he found the result I have stated.

Would it be a very difficult job, if the law were changed so as to try to differentiate as to the type of crime books that are sent through the mail? Would that be a pretty sizable job for the Post Office Department?

Mr. GARNER. I think it would be a most difficult job to attempt to decide, and there again I suppose the Solicitor would have to make those decisions. That would not be an easy task. Unless the States and various cities suppressed them at the same time, I do not believe that would be a very effective way of eliminating them.

The CHAIRMAN. Of course if they are eliminated in the mails, they could be sent by express, I suppose.

Mr. GARNER. By almost any other means. I doubt that very many of them are now sent to the news dealers by mail. I think most of those go by freight or some other way.

The CHAIRMAN. Of course you would have the same problem with clearly obscene literature, would you not?

Mr. GARNER. Yes; we have that problem.

The CHAIRMAN. Does it ever reach the point where a scratch sheet sent through the mail becomes a mail fraud? Have you any cases of that sort?

Mr. GARNER. I don't believe that we have, Mr. Chairman. I do not recall any cases of that kind.

The CHAIRMAN. In other words, Armstrong's scratch sheet, and Pioneer News Service, or the Daily Racing Form—

Mr. GARNER. I don't believe there is a violation of the law in connection with the mailing of those.

The CHAIRMAN. Do you have any offenses or much trouble with efforts to send narcotics through the mails?

Mr. GARNER. We don't know of that. It is very possible that narcotics are sent through the mails, and we hear of cases that the narcotics bureau has solved wherein the mails have been used in concealing the narcotics in various things, but I don't know of any actual cases at the moment that I could discuss.

The CHAIRMAN. Where lottery tickets are sent by first-class mail, how do the inspectors get convictions if they can never open first-class mail?

Mr. GARNER. The information is usually obtained by someone informing us that a certain concern is operating and by questioning the people whose names are on mailing lists that we might find, we get the information. We do not open any first-class mail except in the dead-letter office, of course, where there is no way to deliver a letter and there is no return card on it or the return card is incorrect. The mail is opened in the dead letter office solely for the purposes of attempting to deliver it.

The CHAIRMAN. Senator Hunt, do you have any questions?

Senator HUNT. No.

Mr. HALLEY. I have just one more. In the case of lotteries there are a great many lotteries where you try to stop something by a cease and desist order, is that correct?

Mr. GARNER. Oh, yes; fraud orders; yes.

Mr. HALLEY. Have you found in connection with various types of lotteries any important expression of public opinion reflecting a possible difference of opinion as to whether you should or should not stop these lotteries from going through the mails?

Mr. GARNER. That would be difficult for me to answer unless you might put it this way: As I said before, a concern may be operating a fraudulent lottery that we find out about and investigate, and we may have but one or two complaints from all of the many hundreds and thousands, in many cases, who have defrauded. We just don't get complaints.

Mr. HALLEY. I am talking about things like church bingo games and drawings for prizes and fishing contests. Do you try to stop them, too?

Mr. GARNER. It is not that we try to stop them. We just try to interpret the law. When I say "we," the Solicitor for the Post Office Department interprets the law for the Postmaster General.

Mr. HALLEY. Is there any opinion that you should not interfere with that type of operation even though technically it might be a lottery?

Mr. GARNER. Yes; I have seen publicity which would indicate that the general public is unhappy when we issue a fraud order against a

charitable institution that may be well-meaning but still violating the law in operating a gift enterprise or a lottery.

Mr. HALLEY. Thank you.

The CHAIRMAN. Mr. Garner, I think that some times even Members of Congress come down to complain about the postal inspectors stopping some charitable lottery or a lottery conducted by some organization for a good purpose.

Mr. Garner, we appreciate very much your coming to help the committee.

Mr. GARNER. Thank you.

The CHAIRMAN. We are hopeful that from time to time we will have an opportunity to go into some of the postal statutes with you. If any suggestions come to you or information that you think this committee would be interested in, I know we can count on your cooperation.

Mr. GARNER. I will be very happy to cooperate with you in every way.

Senator HUNT. Mr. Chairman, may I ask a question of the Inspector? It is our intention to suggest some legislation to help clean up this situation over the United States; and, if in your work you think that some legislation should be incorporated in our report, we would be glad to have you make the suggestion.

Mr. GARNER. I will be glad to do so, Senator Hunt.

The CHAIRMAN. In that connection, Mr. Garner, we have already run across some matters and will undoubtedly have evidence of others of similar nature that I know will be of interest to you and your department.

Mr. GARNER. Thank you, sir.

TESTIMONY OF JAMES V. BENNETT, DIRECTOR, BUREAU OF PRISONS, ACCOMPANIED BY H. G. MOELLER, SUPERVISOR, JUVENILE BRANCH, BUREAU OF PRISONS, DEPARTMENT OF JUSTICE

The CHAIRMAN. Mr. Bennett, will you raise your right hand. Do you solemnly swear that the information you give this committee will be the whole truth and nothing but the truth, so help you God?

Mr. BENNETT. I do.

The CHAIRMAN. Mr. James V. Bennett, Director of the Bureau of Prisons, and also secretary of the criminal-law section of the American Bar Association, is our second witness today. Mr. Bennett, in conferences with the chairman and with members of this committee, has been very helpful and has given us ideas and suggestions. We know of his interest in our problem both as Director of the Bureau of Prisons and secretary of the criminal-law section of the American Bar Association. Mr. Bennett over a period of many years has been a member of various committees dealing with crime, organized and otherwise.

The committee wishes first to express its appreciation for your cooperation, Mr. Bennett. We would be very glad to have your observations on the work of this committee as related to the two positions that you hold and which you are representing here today.

First, Mr. Bennett, when did you become the Director of the Bureau of Prisons?

Mr. BENNETT. Twelve years ago, Mr. Chairman.

The CHAIRMAN. Prior to that, what did you do?

Mr. BENNETT. I was assistant director prior to that time, since 1930. Prior to that time I was associated with the United States Bureau of Efficiency.

The CHAIRMAN. Will you give us generally your background in criminal work and what you have had to do with the United States prisons? In other words, your qualifications.

Mr. BENNETT. Mr. Chairman, as I indicated, I have been connected with the prison service since I originally made an investigation or was associated with the congressional investigation of the Federal Prison system back in 1928 and 1929. Subsequently, I became Assistant Director of the Federal Bureau of Prisons and later its Director. I am a member of the bar, of the American Bar Association, and various associations connected with law enforcement and legal matters.

The CHAIRMAN. Mr. Bennett, we know that you can tell us about case histories of certain criminals, whether they have been given such sentences as to keep them out of circulation, the recurrence of different types of crimes, and the general background of your recommendations.

Mr. BENNETT. Mr. Chairman, I had a brief prepared statement here, but I would like, with the permission of the committee, merely to submit it for the record and use it as notes. May I say first of all that I am very pleased to be here and I pledge you all of my help and cooperation, as the Attorney General, as you know, wanted us to do, both in my official and in my private capacity.

The CHAIRMAN. We appreciate that. Your statement will be made a part of the record at this point.

(The statement referred to follows:)

STATEMENT BEFORE SENATE COMMITTEE ON INVESTIGATION OF ORGANIZED CRIME
BY JAMES V. BENNETT, DIRECTOR, BUREAU OF PRISONS; SECRETARY, CRIMINAL
LAW SECTION OF AMERICAN BAR ASSOCIATION

Mr. Chairman and gentlemen, I am very happy to respond to your request to be here because, first of all, it furnished me an opportunity to tell you that, as the Attorney General has directed, we in the Prison Bureau will be glad to cooperate with you in every way possible. I shall be happy to do this incidentally in my official capacity as Director of the Bureau of Prisons or in my private capacity as secretary of the section of criminal law of the American Bar Association.

As an indication of how we might be helpful to your committee, I might tell you that I come in contact with a great many different types of Federal offenders. A large proportion of these are ordinary liquor-law violators, check forgers, automobile thieves, income-tax violators, and others of similar categories who hardly can be considered members of any group of organized criminals. They are, so to speak, just run-of-the-mine offenders. In addition, of course, some prisoners are committed to our custody who are alleged to be members of organized groups of criminals. Many of those we receive of this type are narcotic-law violators, income-tax violators, and some are violators of the auto-theft statute. Over the years there have been quite a few of these, ranging from Al Capone to others of more recent notoriety.

In looking over some of the case histories of those who have probably been members of organized groups, I've been surprised at the large number who graduated into this business from short prison terms followed by minor roles in the gangs. It is clear that some men who leave prison prove easy prey for organized groups. Many of them have lost their respectability, so to speak, do not fear further disgrace, and thus the deterrents which serve to keep the ordinary person from joining such organized groups do not apply in their cases. Moreover, they are sometimes quite bitter and want to get square with society. And then there are all of the other motives and incentives to easy money, adventure, and the like, that make the ex-prisoner especially an easy recruit for the organized

gang looking for a minor henchman, enforcer, strong-arm man, runner or what not.

Let me give you an instance of the kind of case I have in mind. This man spent his childhood in a city neighborhood where commercial vice flourished. His mother died when he was 4 years old and he quit school when he was 15 to go to work. Exposed to all kinds of delinquency he was committed to an institution at 17 because of a theft.

Following his discharge he had trouble finding legitimate employment. But with his many delinquent contacts, he soon was offered a job as a bartender and bouncer in a speakeasy which he accepted. He had no reputation to lose by working in a shady occupation. A short time later he joined up with a pin-ball and slot-machine organization. In this job he became acquainted with professional gamblers, bootleggers, and others involved in organized crime. After a few years during which he made easy money, he became a "big time operator" by organizing a distributing outlet for a large counterfeit ring. At the age of 23 he was convicted on counterfeiting charges and sentenced to 10 years.

Another example of this process is a boy who was raised in a slum neighborhood in New York City and was involved in occasional delinquencies during his teens. At the age of 21 he was committed to a Federal reformatory for passing counterfeit money. He was released during the depression period when employment was most difficult to find particularly for a person with a criminal record. Soon after his release he resumed his relationships with delinquents and rather readily found work with a bookmaker.

In this occupation he lived primarily with persons who were chronic law-breakers and in order to add to his income he began to peddle narcotics on the side. He was arrested for this and given a sentence for violation of the Harrison Narcotic Act.

Once again he returned to live and work among his antisocial friends, and subsequently he became involved deeply in professional criminality of the most vicious sort, hijacking and racketeering. He is now serving a long sentence in a Federal penitentiary for stealing an interstate shipment.

His case well illustrates the connection between organized illicit gambling, the narcotics racket, and other forms of organized crime.

STATISTICS

Perhaps some statistical information on the number, types, and sentences of Federal prisoners would be of help to the committee. Here is a table showing the number of Federal prisoners received from courts and the general types of crimes they have committed. It shows, as you will note, the number of commitments for various types of Federal prisoners over the last 13 years. One of the significant trends has been the decrease in the number of prisoners committed to us for violation of liquor laws. In 1937 we received 12,238 liquor-law violators, and in 1949 we received only 2,035. Another trend which should be noted is that during the war years the commitments for ordinary types of law violations decreased and that several of those are now again on the upward swing. For example, in 1943 we received 1,241 violators of the narcotic-drug laws, whereas this past year we received 1,503.

You might also be interested in the percentage of men sent to Federal prisons who have previously been convicted. You see from this chart that over 60 percent of those received have previously been convicted of at least one prior offense. That gives you some idea of how difficult it is for a man with a prior record to rehabilitate himself.

You will note that so-called white-collar crimes, such as income-tax violations, embezzlement, and fraud, are among those which are least apt to be repeated. It is significant, too, I think, that 67.7 percent of the violators of the Narcotic Drug Act have served previous prison sentences. Another type of offense which tends to be committed by people with prior records is the stealing of automobiles. You will note that 73 percent of the men we received for violating the National Motor Vehicle Theft Act had previous criminal records. If we could only find some way to prevent a known offender from again becoming a law violator we would make a tremendous contribution to law enforcement and reduction of crime. I may have some suggestions for the committee to this end at a later date.

I have no doubt also that the committee may be interested in the average length of sentences meted out for various types of Federal crimes, and so I am submitting a table showing sentences received for certain types of offenses.

These are broken down by judicial districts and give some general ideas of sentencing policies of Federal courts. You will note considerable variation, some of which can be easily explained by local conditions and situations.

I should also like to file with the committee a table showing the number of prisoners in State institutions. This shows that the number of prisoners at present in State and Federal institutions decreased from 182,000 in 1939 to a low point of about 134,000 in 1944, and increased to 157,470 in 1948. We estimate that as of today there are approximately 165,000 prisoners in all State and Federal institutions. This table is both a solace and a warning. It shows that despite the increase in the general population since 1939, the number of men actually in prison is less than it was at the end of that year. There is some comfort, of course, in that. But recent trends also warns us that there has been a steady increase in the last 5 or 6 years.

But I want to make it clear that none of these statistics is of much help in determining the extent of organized crime. That is partially because the compilation of truly comparable crime statistics is an extremely difficult, if not impossible, job. More importantly, however, men arrested or sent to prison for engaging in gangster activities or some sort of organized crime are convicted for offenses which really give no true indication of the character of the offense or the offender. For example, we had in one of our institutions a notorious collector and pay-off man for one of the syndicates who was actually sent to prison for violating the Selective Service Act. He was engaging in gambling rackets for years, was a stick-up man and pistol totter who had been arrested previously only for vagrancy and disorderly conduct and had been discharged both times.

The facts about organized crime, therefore, will have to be obtained through making spot surveys and special studies.

SPECIAL STUDIES

There is, as I am sure you already realize, much unexplored territory in the field of organized crime, as well as in broader fields dealing with the prevention and control of all forms of crime. In thinking this over and some of the aspects of the problems on which further information is needed, it occurred to me that you might wish to undertake:

1. A study of the methods used by gang leaders to recruit followers, organize their activities and maintain control. How does the racketeer enforce his orders, where does he recruit his agents, do his methods fall into any common pattern, why are certain industries selected as in need of so-called protection, etc.?

Such a study to be made by an investigator through obtaining opinions of police officials, newspapers, case workers, etc. Also to include a study of such activities in a particular community or area.

2. A detailed study of the extent and social implications of all forms of gambling with special emphasis on horse racing.

To cover the number of tracks, the amounts wagered, the tax revenue, the characteristics of the hangers-on and touts, the audience attracted, the psychological motivation of those who gamble, the supervision and control of the operators, methods of cheating and fixing races and gambling devices, etc., etc. To be done by a committee of sportsmen, race-track operators, etc., under leadership of an outstanding sportsman.

3. A study of the number, size, profits, and operational and promotion methods of businesses engaged in producing, manufacturing, and distributing gambling devices and paraphernalia including slot machines, punchboards, roulette tables, policy tickets, etc.

4. Studies of each important field of crime control to determine how each area can be improved, with special reference to Nation-wide problems and perspectives. To include:

- (a) Probation and parole methods and extent to which Federal Government can set standards, aid individual localities, and perhaps cooperate in improving methods and standards.

- (b) Jail, detention, and prison methods to determine how these may be improved and rehabilitation of offenders promoted and the significance of viewing all of these as a Nation-wide problem and doing something about each on a broad basis.

5. A study of judicial and legal attacks upon crime, including:

- (a) Methods of modernizing of rules and judicial procedure.

- (b) Codification and study of criminal codes similar to the Indiana plan.

- (c) Public defender acts.

- (d) Sentencing methods and practices.

All to be aimed at how the Federal Government can cooperate in a Nation-wide effort to better law-enforcement methods and the administration of justice.

6. Some studies of influence of comics, movies, radio, and press upon crime.

To be made by obtaining cooperation of some private foundations who will engage research technicians, public opinion analysts, etc.

These suggested special studies I realize will, in some instances, be rather difficult and expensive to undertake, but I believe the committee can obtain the cooperation of private groups and foundations to conduct certain of the studies. A group such as the Social Science Research Council, the Bureau of Applied Social Research of Columbia University, the Institute of Human Relations at Yale, and the sociological and research departments of several other universities, could be called upon. So could other associations and agencies working in allied fields. I am sure that the various bar associations, including the section of criminal law of the American Bar Association, would cooperate to the extent of their resources. Our section, for instance, is studying at the suggestion of the chairman, Mr. Arthur Freund of St. Louis, the feasibility of a special Federal excise tax on the profits of gambling activities operated in violation of State laws. Also, we are studying the feasibility of drafting an amendment to the internal revenue laws requiring the various collectors to publish the names of those paying taxes on slot machines wherever the possession or operation of these are in violation of State laws. Another proposal is that the penalties for operating lotteries, policy games, making book, setting up gambling tables, and so forth, be studied with some recommendation as to the severity of these penalties, particularly limitations on the amount of fines which can be levied.

Other specific suggestions, including a proposal to study the problem of how genuinely comparable crime statistics on a city-to-city or region-to-region basis may be secured will be presented to the committee at a later date.

May I repeat in conclusion that I will be very happy to comply with the wishes of the Attorney General and cooperate with the committee and its able counsel and staff in every way possible.

Mr. BENNETT. It is true, Mr. Chairman, that I do come in contact with a lot of men who have come in conflict with the law, and a few of these of course are young men and older men who are engaged in what I would define as organized crime. It is surprising how large a number of those people are young men who first of all commit some minor offense and then subsequently fall easy prey for the groups of organized criminals. These are young men who, for one reason or another, feel they can't find a job or may be bitter toward society or are looking for money or adventure, and thus they easily play the role, first of all, of a minor henchman, and then perhaps as a strong-arm man and enforcer, and finally perhaps they get to the top of the crowd. That is the life history of most of these people.

Take, for instance, one of my cases that I know of rather intimately, a young man who was brought up in a section where commercial vice flourished, and he was exposed to all kinds of delinquency. He went to prison on a minor theft charge, and then, following this, he got acquainted with men who recruited him as a bouncer in a speakeasy. Then he became associated with a pinball and slot-machine organization, and from there on he graduated to become a very important big-time operator. However, he was not convicted for violation of any statute connected with organized crime, but for a counterfeiting charge.

It is a very common situation, Senator and gentlemen of the committee, to find people in our institutions particularly who are there on some charge not really connected with the character of the offense for which they were most notorious. The various Government law-enforcement agencies and others have to convict these people on charges other than the offense where they were most dangerous to the community. Of course, that means that frequently the statutes are such

and the penalties are so limited that they cannot really get a sentence which is in full conformity with the nature of their offense and their characteristics.

I will give you some other cases later on, Senator, if you will permit me and if time permits, but I would like from that point to show you, because I know the committee is interested, some of the statistical information which our Bureau gathers particularly with regard to sentenced prisoners. I have prepared here some data, Senator, that might interest you.

The CHAIRMAN. Mr. Bennett, this information you have submitted to us is of great interest to the committee, and we will have this made a part of your statement as a part of the record in the form of exhibits.

(The chart referred to below were marked "Exhibits Nos. 12 through 16" and appear in the appendix on pp. 251 through 260.)

Mr. BENNETT. You notice the first table on top shows you the number of Federal prisoners received from the courts for the past 12 years. (Exhibit No. 12, appendix, p. 251.) That will show you the trend and the number of convictions in Federal courts. There are one or two significant trends there that might be of interest to you. You will notice, for instance, that in 1937 the number of persons convicted of violating the liquor laws was 12,238, whereas this last fiscal year it was 2,035. There has been a very considerable decrease in that.

Senator WILEY. Is that a good sign or a bad sign?

Mr. BENNETT. Senator, I would rather not pass on that.

Senator WILEY. I think you would have the right to draw that conclusion from your former statement. After all, are the courts and enforcement officers delinquent? As far as I know, they have not stopped drinking in this country.

Mr. BENNETT. Senator, I think that anything that tends to reduce the amount of crime is certainly a good thing, and I think not only the number of convictions for liquor-law offenses has decreased, but, from my general knowledge of it, I think the amount of bootleg whisky being made and used is on the decrease; yes, sir; and I think that is a very good thing.

Senator WILEY. Do the latest statistics show that?

Mr. BENNETT. Yes, sir; I think they would bear that out.

The CHAIRMAN. I think it might be well to point out something I have been told. It is due, perhaps, to not having quite so much money, and also maybe the increased State and Federal taxes on liquor. There has been some increase, at least down in Tennessee, in moonshine during the last year. I am so informed by the Alcohol Tax Unit people at Louisville.

Senator WILEY. I am glad you added that last statement so you could qualify as a witness.

The CHAIRMAN. I think there has been quite recently some increase in moonshine activities, but of course that would not be reflected as yet in these statistics.

Mr. BENNETT. That is correct, sir.

Another interesting trend might be in connection with the narcotic-drug laws. You will notice that during the war they went down to the low point of 1,134 cases in 1946 and in 1949 have reached 1,503. That is an upward trend that is the cause of a considerable amount of concern, I should think.

On the next table, Senator, the percentage of repeaters and the percentage of recidivists will interest you, because I think it shows that as a whole some 60 percent of the men who are committed to Federal institutions have previously been convicted of some State or Federal offense. (Exhibit No. 13, appendix, p. 252.)

Senator WILEY. Those folks have been paroled?

Mr. BENNETT. That is of all types, Senator, both parolees, people who are on conditional release, so-called, people who have been discharged completely and again convicted. There is some variation, you will notice, in the type of offenders. The so-called white-collar crimes, for instance—that is to say, such as income tax and embezzlement and things of that sort—are the types of offense least apt to be repeated, whereas taking narcotic-drug offenses, for instance, 67 percent of the men who were received for violation of the narcotic-drug laws were previously in conflict with the law.

Senator WILEY. How many of those were parolees?

Mr. BENNETT. I would be happy to furnish that information. I do not think any of them, Senator, or very few of them at least, were reconvicted while they were on parole.

The CHAIRMAN. I think Senator Wiley's suggestion would be just to make it a matter of report to the committee. That is, if you do have statistics or could furnish statistics with the record of offenses by parolees, it would be of interest to us.

Mr. BENNETT. I will be happy to do that.

Senator WILEY. I might say, Mr. Chairman, we know there have been repeated charges also that the parole system has been abused because of political influence in many cases, resulting in sentences that were short, so short that individuals who were supposed to get sentences were actually out before they felt the penalty of prison life. Do you feel these political considerations resulting in shortening sentences are making a farce of prison terms and encouraging cynicism among our people and among the prisoners themselves? I would like to get your reaction to that situation which I personally find is quite prevalent throughout the country. I should think you are in a position to give us your own judgment on that.

Mr. BENNETT. Senator and gentlemen of the committee, I am a very strong advocate of the parole system generally. I feel that that is the safest way by which a man can be discharged from prison and brought back into the community. It bridges the gap between the prison term and the community. However, parole is just as strong as the people who operate it and the supervision which the parolee receives when he leaves the institution. It is an anomaly to say a fellow is on parole, release him from the institution on the understanding that he will be supervised and helped, and then not help him. Unfortunately, there are some States and some jurisdictions where the parolee receives virtually no supervision after he leaves the institution. In other places he receives very excellent supervision.

Senator WILEY. In that connection are the Federal prisoners receiving appropriate psychiatric treatment or attention?

Mr. BENNETT. Yes, sir. While they are in the institution we have methods of giving them vocational training, academic training, work opportunities, and, as well, we attempt to get at the inner drives of the man.

Senator WILEY. Curing the mental quirks?

Mr. BENNETT. Changing and readjusting him. It is an extremely difficult job, as you well know, Senator, but nevertheless we are doing it and we are making some very interesting experiments. For instance, you mentioned psychiatry. We are utilizing in the Federal system the so-called group therapy method whereby, under the auspices of a psychiatrist, these people with similar characteristics and similar offenses are brought together and under his leadership he tries to get these people to discuss what were the factors which caused them to commit an offense. They will accept the criticism of their fellows where they will not accept the criticism of some other person.

Senator WILEY. The point I was getting at there was for one serving a sentence in prison. Do your prisons simply serve as a coop to hold men up—I might say there you have also spoken about the number of repeaters—or is there an opportunity for the prisoner there to be reconstructed, so to speak? Is our present policy really serving as a preventive, or is the prison system merely keeping offenders within the prison walls until they can go out and repeat?

Mr. BENNETT. Senator, if you refer to the Federal system, I think we are making some real progress and we are subjecting them to rehabilitative influences. If you are speaking of the State prisons, the situation is extremely spotty there, and of the approximately 150,000 men in State reformatories today, I should say that there were at least two-thirds of them, Senator, or 100,000 of them, who during the entire course of their prison treatment do not come in contact with a single rehabilitative influence. That is for a lot of reasons.

What I was trying to bring out, Senator Wiley, was that it is the men who have been in these institutions who fall ready prey to these organized groups.

Mr. Chairman, I know your committee is interested in sentences received by men sent to Federal institutions for violation of various Federal crimes.

Senator HUNT. Mr. Bennett, will you explore the line of thinking that Senator Wiley discussed briefly there? What relationship, if any, exists between the Federal Bureau of Prisoners and the various State penitentiaries? If you will pardon a personal reference, I will tell you why I ask that question. It was my privilege to be a member of the State board of pardons and parole for 14 years, 6 years as chairman of that board, with the sole authority to grant pardons. I have never heard of a single situation where there was any relationship between the Federal Bureau of Prisons and the various State penitentiaries, and I do not believe that there is any national association of wardens of penitentiaries. Is there not a great lack of coordination between the States and the Federal Government?

Mr. BENNETT. Senator, it is true that the Federal Prison Bureau and the Federal laws do not authorize any official contact or advice with the State institutions. However, in a number of States, upon the request of the governor we have gone into the State and assisted them with various problems. Lately we have completed a survey in Delaware. We studied for Governor Caldwell the Florida prison system; in Louisiana, and so on. We are very limited in our funds and we cannot do too much of it. I think, since I believe, Senator Hunt and gentlemen, that this whole problem of crime is a Nation-wide problem and it cannot be separated into little enclaves, that some scheme

whereby there could be greater working together would be very much worth while.

Senator HUNT. Let me ask you to take the initiative, then.

Mr. BENNETT. Senator, I don't know.

The CHAIRMAN. Let us follow that up. Would not this be a good place for the American Bar and other associations to do some effective work?

Mr. BENNETT. Yes, I think so, Senator. You realize of course there are certain jealousies in that regard, and it is a matter that has to be approached very cautiously. What happens to a man in the prisons of Wyoming or Alabama or Tennessee is of concern to the citizens of Wisconsin. If they make him into a bad man in that State, then it is the citizens of Wisconsin who might suffer.

Senator HUNT. For this reason: A man who is discharged from a penitentiary of Ohio, who is a citizen of California, when he is discharged tells the pardon and parole board, "I want to go home; I want to go back to California." The prison authorities and other authorities in Ohio are very pleased about that, so they give him carfare to go back home, and that gets him out of the State.

There exists no manual, no textbook, so to speak, with reference to paroles and pardons. Every case is an individual case, although of course thousands of them fall into a pattern and there could be drawn up, I should think, some sort of manual for all of the various States to follow in handling the discharge of prisoners. There is a great field of opportunity there, Mr. Bennett, that will decrease this repeater proposition, with which, of course, we are all so very familiar. Mr. Bennett, if we could have a national law that would apply to the States, that no prisoner could be discharged until a position or a job of some kind had been found for him, and that there was a continuity of his sentence extending into his working on that job for a period of 6 or 8 months, something like that, so that when he leaves the penitentiary within 10 days he isn't broke again and has to go into some sort of skullduggery in order to exist, do you not think this great and vast number of repeaters would be reduced almost overnight?

Mr. BENNETT. I am a very strong advocate, Senator, of so-called indeterminate sentence whereby a man can be kept under supervision and aided by the authorities over a considerable period. I had hoped that some day that movement would spread further, the same system that exists in California, for example, whereby the court has nothing to say about the amount of time a man should serve or how long he should be under supervision other than prescribing the maximum sentence, which I think is an excellent system and is of great aid in helping these men readjust in the community. It is just futile to give a man, as the boys in the institution express it, \$5 and an "I hope it won't rain" suit, and turn them out in the community to fend for themselves. That is a serious defect.

Senator HUNT. Mr. Bennett, would it be out of line for a member of this committee to make the suggestion to you to consider a project to start an organization of wardens throughout the United States and you take the lead in getting those folks together and getting them in an annual convention where they can talk over their problems and work out something uniform throughout the Nation?

Mr. BENNETT. No, sir. I appreciate the suggestion. It is true, though, Senator, that there is an association of wardens, the American Prison Association.

Senator HUNT. It isn't very active.

Mr. BENNETT. We held a parole conference here in Washington some 10 or 11 years ago, and during that conference we got up, as you no doubt read, Senator, this statement of principles and precepts that should be used in granting parole, and one of them was that there should be no sunset paroles, as you have described them, merely to get them out of the institution and get them on the adjoining States. We think it is a very serious mistake to push a man from one State to another State just to get him out of town.

Senator, I brought with me and have filed with the committee a statement on the average sentences by offense and judicial districts of men sentenced in Federal courts. You will notice that it shows that the average sentence for all offenses in Federal courts is now 19 months. The sentence for forgery for the country as a whole is 18 months, and so on. The sentence for Motor Vehicle Theft Act is 25.5 months, and so on. I think if the committee keeps that before it, from time to time it will be able to refer to it and notice certain situations that may interest it.

The CHAIRMAN. This has been made a part of the record as an exhibit, Mr. Bennett. (Exhibit No. 14, appendix, p. 253.)

Mr. BENNETT. I would like to file also with the committee, Senator, a statement showing the number of prisoners at the end of each year in both State and Federal prisons. (Exhibit No. 15, appendix, p. 258.) If you will notice that, you will notice that it is both a solace and a warning that from 1939 the number of men committed to prison decreased to 134,000 in 1944, but is now again on the increase up to 157,000, the solace being of course that the number has not yet reached the number that were committed in 1939 despite the increase in population, but the warning is in the fact that they are going up very rapidly at the present time.

There is one other table I would like to file with the committee, which is not in these figures. I have noted you have been interested in the number of persons sent to prison for violation of the income tax laws. I have taken those off for the last 5 years. It shows that in 1944, 14 men were committed to prison. That doesn't mean the number of convictions. That is just the men sent to prison. Fourteen men were convicted of violations of the income tax laws in 1944, 15 in 1945, 51 in 1946, 43 in 1947, 103 in 1948, and 146 last year.

(The table referred to was marked "Exhibit No. 16" and appears in the appendix on p. 260.)

Mr. BENNETT. These statistics that I have shown you, while they show you the general crime trend, for the reasons I have indicated don't show the actual number of men who are arrested and convicted for being engaged in organized crime. We had, for instance in one of our institutions, a notorious pay-off man, a runner for one of these big syndicates, who actually was sent to prison for violation of the Selective Service Act, and he got a minor sentence for that. And so it goes. It seems to me, therefore, Senator, that the facts which are all-important to this committee have got to be obtained through some special spot surveys and studies of one kind and another, which would be organized by the committee.

Trying to think that over for myself, I would like to suggest for your consideration the fact that you might wish to undertake, for example, a study of the methods used by gang leaders to recruit their followers,

how they organize their activities, how they maintain control. How does the racketeer, for example, enforce his orders? Where does he recruit his agents, and so on? I think that is a study that is susceptible of being made by a number of different people, by an investigator, or it can be made through obtaining the opinions of police officials, newspaper reporters, case workers, lawyers, and others. If this committee undertook to do that one job alone, it would be a tremendous job, but I believe you might want to consider setting it up as a project and allocating it to one individual because I believe it would develop information of tremendous value.

The CHAIRMAN. I am sure the committee would agree with you about that. Would you give us your ideas about what individuals or what organizations we might be able to get to become interested in some of these particular phases?

Mr. BENNETT. Yes, sir. There are a number of organizations in this country, private organizations. One of them might be the Social Science Research Council. Columbia University maintains a bureau or an institute of human relations which makes this sort of study. There are a number of other universities. The University of Wisconsin, for example, maintains a group of research students and researchers in the universities which could make that sort of study, either in Wisconsin or any place else that the committee might choose.

Another suggestion I have to make for your consideration, Mr. Chairman and gentlemen, is that you might care to make a detailed study of the extent and the social implications of all forms of gambling with special emphasis on horse racing. I would like to suggest that that sort of study cover the number of tracks, the amount of money wagered, the tax revenues received, the characteristics of the different people who play the races, the hangers-on, how they gamble, and so on. I would like to suggest that the committee consider having such a study made by organizations of race track owners themselves because they are extremely interested in this matter, and I should think they could be asked to take charge of it and make the study.

The CHAIRMAN. There is an association—what is the name of it, Mr. Bennett?

Mr. BENNETT. I think there is a national association as well as the jockey clubs of the various States.

The CHAIRMAN. That would include, I suppose, the social implications and other kind of crimes that might be correlated.

Mr. BENNETT. That is right, how they can be of help and what the attitudes of the public are toward this matter; if it could be gotten down to small communities in a few cases, I think it would be very helpful to the committee as well as to the public.

I would like to suggest also that perhaps the committee, through information available to it, could put out some kind of study on the number, size, profits, operational, and promotional methods of businesses engaged in producing, manufacturing, and distributing gambling devices, slot machines, punch boards, roulette tables, policy tickets, and all of the rest of it. It is a big business and it would be very helpful if the committee, with the power that it has, could undertake a study of that kind and publish it.

I would like, too, to say that I am sure if the committee cared to have studies of problems such as that which Senator Hunt men-

tioned, the problem of prison operations and parole and probation costs, how to aid prisoners on discharge, and so on, I think if the committee would care to invite certain groups to cooperate with it, that would be done and they would be happy to report to the committee.

I think, too, Mr. Chairman, it would not be too difficult to get various bar associations and others to study and submit to the committee its views of various methods of attacking crime legally and how these methods may be modernized and how these loopholes in the criminal law could be plugged, these technicalities and so on that are used and taken advantage of so frequently by criminals, particularly of the organized group type where they hire their lawyer in advance, and he knows just how to evade the law. I think studies would enable the committee to help plug those loopholes, and I believe they would find that bar associations and lawyers would study them.

You mentioned, also, Mr. Chairman, in talking with Mr. Garner that the influence of comics, movies, radio, the press, and so on upon crime was a matter of concern to the committee. I believe that is a matter of very great importance. I think it is a sort of study that could be made under the auspices of this committee by one of these groups like the Social Science Research Council and that it would be of great value and help in your researches and in your studies.

Specifically, the section on criminal law of the American Bar Association has been giving some thought to this question of organized crime and how it may be combated, particularly matters that are within the purview of this committee and the Congress. One of our members, the chairman, Mr. Arthur Freund, of St. Louis, has suggested that the feasibility of a special Federal excise tax on the profits of gambling activities operated in violation of State laws be given consideration and has indicated if the committee thought well of such idea that he would be able to draft a statute and submit it to the committee for its consideration.

Also it has been suggested that an amendment to the internal revenue laws be drafted requiring the various collectors to publish the names and addresses and so on of those paying taxes on slot machines. I presume those are available now upon demand but the suggestion of the group is that they make these a matter of public record routinely as they occur, as the licenses are issued.

Another proposal is that the committee study the penalties for operating lotteries, policy games, making book, not only Federal penalties but State penalties as well so that when a man is found guilty of one of those things he can be properly taken care of and the public protected. As it is in many cases it is merely a misdemeanor. The amount of fine that can be levied is nominal. There is no way of getting at the tremendous profits he makes in this business and if those penalties could be established and some penalties recommended by the committee, it might be a fruitful thing to do.

Mr. Chairman, perhaps from time to time, as your committee goes on, I will have some other specific suggestions for you which I will be very happy to present to you.

THE CHAIRMAN. Mr. Bennett, you have given us a pretty good load of work here today, so I guess we have enough to digest for a few weeks if we get all the studies you have suggested going.

Senator WILEY, do you have any questions to ask Mr. Bennett?

Senator WILEY. I want to express my appreciation of his statement and for giving us considerable light on this subject.

In your categories of suggestions for study I did not hear you say anything about what I think America is most interested in, and that is the matter of crime related to political influence in big cities, like Kansas City and other cities, resulting in murder, resulting in stuffing ballot boxes, resulting in virtually taking over governments, which to me is the high crime of the century and which has so much to do with setting the pattern for our youngsters who come up and think, "Men in big places can do this, therefore it is O. K." If I had my way we would concentrate on that one subject, and I think we would do a grand job for the Nation. We can run around looking after mice, but what we had better do is get at the breeding places and there will not be any mice.

Have you any suggestions on that subject?

Mr. BENNETT. Senator, that sort of study is not susceptible of the kind of research that I had in mind. I think that is a matter which the committee can do better than some researcher, perhaps.

Senator WILEY. That is the only question that I have.

Senator HUNT. Mr. Bennett, I was interested in your suggestion that we ask the race-track owners association to assist us in a study of gambling on the tracks and off the tracks, and so forth. I wonder if you have thought that suggestion through. We hope that as a result of our work we will be able to stop the activities of the race-track promoters. What success would we have in asking their cooperation in such a study?

Mr. BENNETT. Senator, I think the sportsmen who are anxious to maintain law-abiding horse racing, and so on, will be the first ones to agree that these improper practices, this bookmaking, and so on, should be stopped; and they would be anxious, I know, to assist the committee with suggestions as to how they perhaps could cooperate to a greater extent.

Senator HUNT. Do you think horse racing would be profitable if you take the gambling out of it?

Mr. BENNETT. I wasn't suggesting that the parimutuel system, if that is what you mean, be abolished, but I was suggesting that horse racing, and so on, could be continued and yet remain within the law.

Senator HUNT. As a pure sport like baseball, basketball, and football.

Mr. BENNETT. Those that own them and operate them, I think, are anxious to see that they are not used for illegal and improper gambling purposes.

Senator HUNT. Some of the larger gamblers are owners of race tracks.

Mr. BENNETT. Well, I suppose that is true, but I don't think that is the same thing as saying that the larger bookmakers and payoff men, layoff men and so on, are owners and operators of race tracks or horses or things of that kind.

I don't know enough about it, Senator, really to say that, except I do believe that you would find that there are public-spirited citizens who would be anxious to cooperate with the committee.

Senator HUNT. I have no further questions.

The CHAIRMAN. Mr. Bennett, you mentioned a particular study with reference to the influence of comics, movies, and radio on crime. You have I believe made a particular study of the effect of some of the worst crime books upon juvenile delinquency and juvenile offenders, have you not?

Mr. BENNETT. Yes, sir; I have given considerable attention to it.

The CHAIRMAN. Will you state for the benefit of the committee what you found out in that connection and what your conclusions are?

Mr. BENNETT. Senator, first of all, I found out that the circulation of some of these more harmful crime comic books, with a title like "Murder, Incorporated," or which says "Crime" at the top and "Does not pay" down below, that type of crime comic book which blueprints an actual crime, is harmful to the enforcement of the law to a considerable degree. I have had cases under my jurisdiction of boys who have imitated almost exactly the pattern found in some of these crime comic books.

I am not here to say that they alone were the cause of it, but I do have to say that with certain types of individuals who are already susceptible, fertile ground, they are frequently the influence that puts them over the top. I do not think there is anything character-building or ennobling about any of them. They cater purely to the thrill, sadistic and primitive, in young people. I for one can see that they serve no useful purpose whatsoever. However their circulation is tremendous.

The CHAIRMAN. What is their circulation?

Mr. BENNETT. I cannot tell you the circulation of the restricted group that I have in mind, but upwards of 70,000,000 copies of comic books are distributed in this country each month.

One of the vicious things about this business, Senator, is that the ordinary drug-store man or the ordinary newspaper distributor has to accept the books he receives in a package, a sort of block booking, and along with the good comic books or at least the comic books which are not the least bit harmful—and there are a great many of those—he has to accept some of these less desirable, one of these one-shot affairs. For example, they published a comic book showing the details of the Black Dahlia case in Los Angeles. Those are one-shotters that they get out from time to time. The newspaper dealer frequently, in order to get the good ones, has to accept a certain percentage of others, or at least they are sent to him and he is billed for them. Of course, naturally if he has them on hand he will be more apt to distribute them, although I want to say a good word for a great many of the newspaper distributors and drug-store operators. They simply refuse to sell some of those more harmful types of books. On the whole, they are beginning to recognize that they might be harmful to the children in the neighborhood and are being very, very cooperative. There are a number of organizations, Senator, that are engaged in trying to reduce, through the cooperation of news distributors and drug-store people, and so on, the dissemination of this type of literature.

The CHAIRMAN. Ordinarily when they are distributed in a package lot, if they do not take the whole package and try to sell the whole package, they may lose their franchise.

Mr. BENNETT. That is right.

The CHAIRMAN. You and the members of your organization, of course, talk with and try to ferret out the reasons why juveniles particularly commit crimes, do you not, Mr. Bennett?

Mr. BENNETT. Yes, sir.

The CHAIRMAN. Have you had many cases that you felt were attributable to trying to imitate or trying to improve upon some crime that they read about in some of these bad crime books?

Mr. BENNETT. No, sir; from the statistical viewpoint there have not been many, but there have been some, and there have been very many more young people who try to apologize or find some way of rationalizing the offense they committed by blaming it on something or other, hoping they could thus win the sympathy of the court.

The CHAIRMAN. On the inside cover of most of these crime books, the bad ones as well as the good one, one usually finds "This is published under the auspices and direction of—" some high-sounding society or some big-sounding psychiatrist. Have you looked into whether those people are subsidized or just what sort of organizations are they?

Mr. BENNETT. No, sir; I haven't looked into whether or not they are subsidized. I know something about some of these individuals, and perhaps they are just misguided individuals. There are one or two of them who do that sort of thing, Senator, who have very fine reputations. I do not agree with them in the least, and I do not think you would find very many people who are acquainted with child psychology who lend respectability to those magazines by allowing their names to appear.

The CHAIRMAN. Do you know Dr. Wertham?

Mr. BENNETT. Yes, sir.

The CHAIRMAN. Is he one of the leading child psychologists in the country?

Mr. BENNETT. Yes, sir. He has given a great deal of study to this particular problem. He has a pretty wide knowledge of it. I think he is generally accepted by psychologists as a man whose opinions are worthy of a great deal of attention.

The CHAIRMAN. Do you have a sufficient staff in your own estimation to do the best job possible for the kind of job that ought to be done in criminal rehabilitation?

Mr. BENNETT. Senator, no; I am afraid I can't answer that in the affirmative.

The CHAIRMAN. I have always had the opinion personally that in organizations like yours and also the enforcement officers of our Nation, the tax people, the Department of Justice, and the Bureau of Internal Revenue, a little more money spent for personnel for investigators would be a tremendously great investment for the Nation which would pay dividends many, many times over.

Mr. BENNETT. I am very happy to have you say that, Senator. I certainly agree that no tax dollar could be spent to greater advantage and save the taxpayer more in real dollars and in human suffering than that which was spent in helping to prevent crime and helping to ferret it out and helping to rehabilitate and readjust men who do get into difficulty.

The CHAIRMAN. I have one final question, Mr. Bennett, and then Mr. Halley wishes to present some. I want to ask you this question for

your view. In your opinion from what you have seen of criminal elements and from your study of what is taking place in the country and the general pattern, do you feel that there are syndicates or groups operating in interstate commerce carrying out organized crime in the United States?

Mr. BENNETT. Senator, of course I wouldn't be in position to answer that as of today, but I can say in my own judgment in the past I think there have been organizations of that kind.

Mr. HALLEY. I have no questions at this time, Mr. Chairman.

The CHAIRMAN. Mr. Bennett, on behalf of the committee we do want to express our very deep appreciation not only for the work that you are doing but for the very wholehearted support and help that you have given the committee. In connection with these various suggestions of yours, the staff and the members of the committee will be in touch with you to see if we can interest a number of groups in assisting the committee in these particular studies that I believe will be worth while.

We would like to call on you from time to time, and of course we want your suggestions and ideas as we go along with our investigation.

The committee will stand in recess until our next hearing.

(Whereupon, at 12:15 p. m. the hearing recessed, to reconvene at 10 a. m., Wednesday, June 28, 1950.)

INVESTIGATION OF ORGANIZED CRIME IN INTERSTATE COMMERCE

WEDNESDAY, JUNE 28, 1950

UNITED STATES SENATE,
SPECIAL COMMITTEE TO INVESTIGATE
ORGANIZED CRIME IN INTERSTATE COMMERCE,
Washington, D. C.

The committee met, pursuant to recess, at 10:15 a. m., in room 457 Senate Office Building, Senator Estes Kefauver (chairman) presiding.
Present: Senators Kefauver and Tobey.

Also present: Rudolph Halley, chief counsel; George S. Robinson and Harold G. Robinson, associate counsels; and Alfred Klein, assistant counsel.

The CHAIRMAN. The committee will come to order.

This morning the committee is glad to have Mr. E. H. Foley, the Under Secretary of the Treasury Department, and representatives of the various bureaus of the Treasury Department. The committee is grateful to Mr. Foley and to the representatives who have accompanied him here for their thoughtfulness in preparing statements and coming up to testify and to give the committee the benefit of their views and the views of the various divisions of the Treasury Department.

Mr. Foley, do you first wish to introduce the gentleman who came with you representing the various branches of the Treasury Department?

Mr. FOLEY. I will be very glad to do that, Mr. Chairman. On my left is Mr. Thomas Lynch, the general counsel of the Department.

The CHAIRMAN. We are glad to have you, Mr. Lynch.

Mr. FOLEY. Mr. Dan Bolich, who is Assistant Commissioner of the Bureau of Internal Revenue; Mr. Dwight Avis, who is Assistant Commissioner of the Alcohol Tax Unit of the Bureau of Internal Revenue; Mr. Harry Anslinger, who is the Chief of the Narcotics Bureau of the Treasury Department. Mr. Baughman, who is Chief of the United States Secret Service; Mr. Strubinger, who is Assistant Commissioner of Customs; and Mr. James Maloney, who is the Chief Coordinator of Treasury Law Enforcement.

The CHAIRMAN. Also I believe Mr. Oliphant.

Mr. FOLEY. Mr. Charles Oliphant, the assistant general counsel of the Treasury Department and chief counsel of the Bureau of Internal Revenue, and Mr. Harry Woolf, who is the Chief of the Intelligence Unit of the Bureau of Internal Revenue.

Mr. Chairman, if it is agreeable, I would like to make my statement for the Department and then call on the individual bureau repre-

sentatives to make statements in regard to their activities that might be of some interest to your committee.

The CHAIRMAN. Yes; that will be fine, Mr. Foley. We are not going to question the veracity of any of you, but we have a general rule to swear all of our witnesses, so if all of you who are going to testify will rise: Do you solemnly swear the testimony you will give this committee is the whole truth and nothing but the truth, so help you God?

Mr. FOLEY. I do.

Mr. LYNCH. I do.

Mr. BOLICH. I do.

Mr. OLIPHANT. I do.

Mr. AVIS. I do.

Mr. ANSLINGER. I do.

Mr. BAUGHMAN. I do.

Mr. STRUBINGER. I do.

Mr. WOOLF. I do.

The CHAIRMAN. All right, Mr. Foley, we appreciate your appearance, and we will be glad to hear you.

TESTIMONY OF HON. E. H. FOLEY, JR., UNDER SECRETARY OF THE TREASURY, ACCOMPANIED BY THOMAS J. LYNCH, GENERAL COUNSEL, TREASURY DEPARTMENT

Mr. FOLEY. Mr. Chairman and members of the committee, I am glad to have this opportunity to appear before your committee to assure you of the Treasury Department's desire to assist in every way possible the efforts of your committee in carrying out its most important function.

The Treasury Department is very hopeful and believes that the committee's investigation will have a far-reaching and highly constructive result. To this end, we are greatly interested in contributing in any way we can to the study which the committee is making of one of the country's greatest problems. I assure you that the Treasury Department is eager to provide the committee with every assistance that may be desired. Along these lines, as you know, the President's Executive order of June 17 provides that tax returns shall be open to inspection and use by your committee.

The Treasury Department is charged with suppressing criminal activities in a number of specific fields, each of which requires a highly specialized corps of enforcement agents. The Department is not a general law-enforcement agency, and it is important that it not be conceived as such, yet it is a fact that its criminal-enforcement measures in specific fields often serve to aid greatly in the suppression of general criminal activities. In offering you the Department's full cooperation, I might best assist at the outset by telling you what we are doing and by indicating what problems we have in meeting our responsibilities.

With me today are Mr. Bolich, Assistant Commissioner of Internal Revenue, and Mr. Avis, the Bureau's Assistant Deputy.

I might say here, Mr. Chairman, that Commissioner Schoeneman had expected to appear, but a previous engagement outside the city has detained him. But he is willing to come before your committee

at any future time if you should desire him to do so. Also, we have Mr. Anslinger, Commissioner of Narcotics, who has already testified before the committee; Mr. Maloney, Chief Coordinator of Treasury Enforcement Agencies; Mr. Baughman, Chief of the Secret Service; and Mr. Strubinger, Assistant Commissioner of Customs. These officers are prepared to discuss with you the details of Federal law enforcement within their specific responsibilities. For my part, before leaving the field to them, I should like to address myself to the general aspects of Treasury law enforcement.

First of all, I think it might be helpful for me to outline the nature and scope of Treasury investigative and law-enforcement activities, commenting upon the specific functions assigned to Treasury agencies with enforcement duties. These agencies are the Bureau of Internal Revenue, particularly its Intelligence Unit and its Alcohol Tax Unit, the Bureau of Narcotics, the Secret Service, the Bureau of Customs, and the Coast Guard.

Treasury enforcement agencies are responsible for protecting the revenues of the United States, and for carrying out other specified Federal enforcement duties of major importance. Each of the agencies has specialized functions and of course they also work together as a team. Their activities are carefully coordinated both in Washington and in the field. Three of them, the Bureau of Narcotics, the Bureau of Customs, and the Secret Service, are concerned with crime on a more or less global as well as national basis, as their activities are intimately affected by criminal operations not only in the United States but also in many parts of the world.

The primary mission of the Bureau of Internal Revenue is of course collection of the revenue. In order to preserve the integrity of our tax system the Internal Revenue Code provides criminal sanctions which apply to persons who evade, or attempt to evade, taxes for which they are liable. The criminal enforcement function of the Bureau stemming from these specific sanctions should therefore be viewed as only one of several important instruments used in the accomplishment of the Bureau's basic mission.

The criminal aspects of the Bureau's enforcement activities fall into two general categories. Of first importance are the activities aimed at the uncovering of internal revenue frauds, a field handled in the investigative stages by the Bureau's Intelligence Unit. In 1949, as a result of the Unit's work in fraud cases, taxes and penalties amounting to more than \$270,000,000 were assessed against tax evaders. This, I think, is a most remarkable record. Yet we in the Treasury Department believe that many more agents could be employed before we would begin to reach the point of diminishing returns.

The facilities of the Bureau, particularly its Intelligence Unit, have been very successfully employed in bringing about the downfall of some of the most notorious racketeers, gamblers, and gangsters in the United States. The list includes a host of criminal figures. But while the Bureau is always ready and able to use every means available to it for punishing the tax evader and for maintaining the integrity of our taxing system, prosecution under the Federal tax laws is not always a suitable device for reaching major criminal figures who have escaped prosecution for flagrant crimes against State or local laws.

Conducting investigations into the financial affairs of a clever underworld figure is usually a difficult, costly, and prolonged procedure, often fraught with disappointments. Most modern gangsters and racketeers have learned a tax lesson from the experiences of their counterparts in the 1930's. Many of them receive the advice of professional tax consultants and are ingenious in the means of reporting net income. Even an individual who wantonly disregards local criminal laws is usually scrupulous in observing Federal tax laws.

Often the Bureau can accomplish its basic purpose and at the same time perform a valuable function above and beyond the collection of revenue in a tax prosecution of a racketeer. We have been pleased by the remarkable record that Treasury enforcement has made in bringing to justice criminals who were successful in avoiding convictions under other laws. And of course, as you know, the facilities of the Bureau may be of invaluable assistance to the work of your committee in ways not directly connected with tax prosecutions.

The other category of the Bureau's criminal law enforcement is in the suppression of the non-tax-paid liquor traffic. This field is handled by the Alcohol Tax Unit. Liquor taxes are accruing to the United States at the rate of well over \$2,000,000,000 per year. Indicative of the size of the Alcohol Tax Unit's job is the fact that, in 1949, it seized 8,649 illicit stills. The Unit is also charged with the enforcement of the National and Federal Firearms Acts. The purpose of the National Firearms Act, which requires registration of certain types of firearms, is to prevent weapons such as machine guns and sawed-off shotguns from getting into the hands of the criminal element. The Federal Firearms Act makes it an offense to transport firearms in interstate commerce under certain conditions, thus providing a limited means for prosecuting criminals not reached under local laws.

The Bureau of Narcotics enforces the Federal narcotic and marihuana laws. It has about 180 agents to combat illicit dealers and traffickers in opium, heroin, morphine, cocaine, marihuana, and other narcotic drugs. This small organization, whose agents must necessarily operate clandestinely in large part, has probably been responsible for sending to penitentiaries more criminals per officer than any other Federal enforcement agency in the United States. Narcotic agents deal with the most depraved and vicious types of criminals, many of whom are active in a number of fields of criminal activity. The war against the illicit narcotics traffic, in my opinion, is an important part of the battle against organized crime, for it strikes directly at underworld leaders and interstate criminal organizations. Mr. Anslinger can go into this with you much more in detail. I believe that a strengthened Bureau of Narcotics would prove to be one of the most potent weapons in the suppression of organized crime.

The Secret Service, along with its duties in connection with the protection of the President and of his immediate family, enforces the laws relating to our money, securities, and other obligations, suppressing the crimes of counterfeiting and forgery. Upon the enforcement work of the Secret Service depends the physical integrity of these obligations. Counterfeiting, forgery, and other offenses against our money have been increasing year after year since the end of the war. Postwar foreign black markets in United States currency have

been a contributing factor in this increase. It may surprise you to know that the Secret Service has less than 200 enforcement agents in the field, yet this small force arrested more than 2,900 counterfeiters and forgers during 11 months of current fiscal year. According to the Bureau of Prisons, Federal penitentiaries are rapidly becoming populated with more counterfeiters and forgers than any other class of law violator. For several years the Secret Service has been undermanned and overworked, and with a present backlog of over 18,000 pending investigations, an average of approximately 100 per investigator, it must be strengthened if it is to meet its mounting responsibilities with its traditional efficiency.

The principal function of the Bureau of Customs is the assessment and collection of import duties. Incident to this function is the duty to prevent smuggling, including the smuggling of contraband such as narcotics. Customs enforcement personnel cooperate closely with other Government agencies, including the Bureau of Narcotics. The Bureau has about 200 agents assigned to criminal investigations. In addition, it has about 800 port patrol officers whose principal duties are searching and guarding of vessels to prevent smuggling and the apprehension of persons smuggling contraband in or out of the country. These enforcement personnel deal with clever and vicious criminals who operate on both sides of the border. Here too I believe that additional manpower would go far toward coping with the increasing activity in the smuggling of marihuana, narcotics, and other contraband.

The Coast Guard has responsibilities for maritime law enforcement, and it also cooperates with other Treasury enforcement agencies in enforcing laws within their jurisdiction. For example, it assists the Bureau of Customs in the prevention of smuggling, and it cooperates with the Alcohol Tax Unit in tracking down illicit liquor operations.

Treasury enforcement agencies are assisted in great measure by various laboratories maintained by the Department. The Bureau of Engraving and Printing has laboratory facilities which are utilized effectively in analyzing materials and processes employed in counterfeiting currency. The examiner of questioned documents has a laboratory which is used to identify handwriting and typewriting and to make determinations with respect to forgeries and alterations. The Bureau of Internal Revenue has laboratories located in several cities which specialize in analyses of alcoholic products and other commodities which are subject to internal revenue taxes. Customs laboratories are equipped to conduct a wide variety of tests.

The facilities of interstate commerce, such as means of transportation and communications, are unquestionably used extensively in violations of the laws enforced by the Treasury Department. With respect to smuggling of marihuana and narcotics and domestic narcotic law violations, it appears that interstate organizations of racketeers are active and that they work together effectively. However, whether criminal operations are in interstate commerce, or utilize the facilities of interstate commerce, for the most part does not influence Treasury enforcement activities. In general, the criminal laws enforced by the Treasury Department are not dependent upon the existence of interstate traffic or the employment of the facilities of

interstate commerce. Our principal problems are not of a jurisdictional nature, but rather relate to the matter of manpower.

In saying that the problems of the Department in the field of criminal enforcement relate principally to manpower, I have in mind the more difficult and complex conditions that face our law-enforcement staffs today in contrast to other times. In the area of income-tax fraud we are dealing with a base of Federal taxpayers greatly broadened over the prewar base, and our problem is a mixed one of mass education and effective exemplary criminal punishment of defrauders. Compared with war times, greater activity is required for the same dollar return because the war-swollen profits of black marketeers and other evaders have diminished and the return per individual in fraud cases has been reduced. In counterfeiting there has been a tendency toward consolidation of activity in more complex and resourceful hands, with consequent multiplication of the time and effort necessary for successful suppression of each case. The volume of Federal checks in number and aggregate amount has increased so much during the war that forgery has multiplied remarkably. Illicit traffic in alcohol again has available the sources of sugar and other materials of which it was deprived during the war. Indeed, this may be symptomatic of the problem which faces this committee in many areas of crime and enforcement where the facilities of quick communication and transportation and the management genius of the lawless typify the organized crime to which this committee is directing its attention.

In closing, let me again pledge to you the wholehearted cooperation of all elements of the Treasury Department in this important undertaking. If you wish, the heads of the Treasury enforcement agencies will now present their statements, commencing with Mr. Bolich, of the Internal Revenue Bureau, if that meets with your approval.

The CHAIRMAN. Thank you very much, Mr. Foley, for this clear and illuminating statement of the work and the problems of the Treasury Department and its various bureaus.

Senator Tobey, do you have any questions?

Senator TOBEY. No, thank you.

The CHAIRMAN. If you will stay with the committee we might have some matters to discuss later.

Mr. FOLEY. I will remain here while the committee is in session, Mr. Chairman.

The CHAIRMAN. Mr. Bolich, the committee will be glad to have your statement.

**TESTIMONY OF DANIEL A. BOLICH, ASSISTANT COMMISSIONER OF
INTERNAL REVENUE, ACCOMPANIED BY CHARLES OLIPHANT,
ASSISTANT GENERAL COUNSEL, TREASURY DEPARTMENT AND
CHIEF COUNSEL, BUREAU OF INTERNAL REVENUE**

Mr. BOLICH. Mr. Chairman, Commissioner Schoeneman has asked me to express his disappointment at not being able to appear before you today. As Mr. Foley told you, his speaking engagement before a convention of accountants on the west coast, which he had committed himself to, has made it impossible for him to be present.

With your permission, I will read the statement that he had prepared and had intended to present in person.

The CHAIRMAN. All right, Mr. Bolich. Mr. Schoeneman explained to the chairman his difficulties, which we understand. We have been in touch with Mr. Schoeneman on previous occasions. So you will read his statement, please.

Mr. BOLICH. This is the statement of George J. Schoeneman, Commissioner of Internal Revenue, before the committee.

Mr. Chairman and members of the committee, I am glad to have the opportunity to testify before you today on this all-important question of crime suppression and control. It is a thought-provoking subject and one in which I, both as a private citizen and as a commissioner of internal revenue, have a deep and abiding interest.

I have assumed, for purposes of this statement, that, at this point in your inquiry, there are, insofar as the Bureau of Internal Revenue is concerned, probably two questions uppermost in your mind. First, What is the Bureau doing toward the investigation of racketeers, gamblers, and other members of the criminal element? And second, How can the Bureau best aid this committee in the crucially important task which confronts you?

Before answering these questions, however, I think it is important that I give you something in the nature of a backdrop against which the present-day law-enforcement activities of the Bureau must be viewed. Moreover, with your permission, I intend to confine myself almost exclusively to our activities in connection with enforcement of the Federal income tax laws. I will leave it to Mr. Avis, Assistant Deputy Commissioner of the Bureau's Alcohol Tax Unit, who will follow me, to tell you of what the Bureau is doing in combating the non-tax-paid liquor traffic.

Let me contrast for a moment the workload of the prewar Bureau with that of the Bureau today. In late 1947 an advisory group appointed by the Joint Committee on Internal Revenue Taxation conducted a thorough-going survey of the Bureau's operations. In its report, it stated: "The general public has as yet an inadequate appreciation of the radical changes wrought in the Federal tax system during the war period." The report then went on to compare the prewar and postwar tax systems in terms of tax yields, numbers of tax accounts, and the number of taxpayers' returns and supplemental documents.

The group found, for example, that in 1940 the Bureau collected 5.3 billion dollars; while in 1947, it had collected nearly 40 billion dollars. It found that in 1940 the Bureau maintained 12½ million taxpayers' accounts; while in 1947 this number had increased to over 63 million. The number of returns received by the Bureau in 1940 amounted to approximately 19 million. In 1947 this figure had increased to 90½ million plus 161 million supplemental documents of various kinds.

This increase in our workload brought with it many new problems. Among other things, it focuses attention on the need to simplify tax forms and instruction sheets. Expanded programs of taxpayer assistance became necessary. It required the development of new and better methods of processing taxpayers' returns and keeping their accounts. It called for a vigorous program for uncovering taxpayers who have never filed returns. It involved the working out of better methods to insure prompt collection of unpaid taxes. Finally, it demanded the development of enforcement programs that would insure a much wider audit coverage than had heretofore been necessary.

In the words of the report of the advisory group to the joint committee, these enforcement programs had to be aimed at preserving an equitable balance not only "between honest and dishonest taxpayers, but also between those with simple and those with complicated returns, between those to whom the taxing statute may be applied with ease and those to whom its application is difficult, and between those who are careless and those who are meticulous in keeping their supporting records."

I think this statement of the advisory group not only points up the fact that the Bureau's task is a many-sided one, but it also serves to drive home a principle on which the Bureau has always operated, but as to which some misunderstanding is prevalent. That principle may be summed up briefly by stating that the enforcement of criminal provisions for tax evasion is entirely auxiliary to the Bureau's primary and basic mission which is collection of the internal

revenue. In short, these provisions are not directed at raw criminality or general crime control, but rather at aiding in accomplishment of the Bureau's essential task of collecting the internal revenue. They are not ends in themselves, but are rather facilitating factors to the preservation and maintenance of our voluntary system of tax assessment and collection.

The traditional attitude of the Bureau on the contribution which criminal prosecutions make toward maintenance of this system is ably expressed in the following excerpt from one of our annual reports:

"While it is recognized that criminal offenders in tax cases should be punished for violation of law, successful prosecutions have the added and more far-reaching effect of impressing upon the taxpayer's community the results of infractions of the law in tax cases, and serve as a warning to other possible law breakers. The penal provisions of the law are, of course, incidental to the general purpose of raising revenue, but the successful prosecution of numerous violators of the tax laws is believed to have resulted indirectly in the voluntary payment of large amounts of taxes legally due."

The emphasis here is on the word "successful." Indiscriminate and unsuccessful prosecutions can boomerang on the Bureau, since they encourage, rather than deter, violations. It is consequently vital to us that we make certain that we have a provable tax fraud case before prosecution is instituted.

With this backdrop before you, I will now turn to, and answer, the first question which I posed at the beginning of my statement. What is the Bureau doing toward the investigation of racketeers, gamblers, and other members of the criminal element?

Mr. HALLEY. Would you prefer that questions be saved until you finish the statement?

Mr. BOLICH. I would like to continue with the statement if I may.

Mr. HALLEY. All right, sir.

Mr. BOLICH (reading):

Here the record speaks for itself. The Bureau has investigated, is investigating, and will continue to investigate any criminal, racketeer, or other hoodlum suspected of evading his liabilities under the Federal tax laws. Moreover, the Bureau has recommended, and will continue to recommend, for prosecution, the cases of any such individuals where the facts uncovered by the investigation disclose that criminal tax fraud has been perpetrated. By the same token, however, the Bureau cannot recommend for tax prosecution the case of any individual, regardless of how notorious he may be, if the investigation of his case fails to disclose that criminal fraud against the revenue has been committed. This is only a logical application of the principle I have just referred to. Like any other responsible Government agency, the Bureau is, of course, anxious to make any contribution it appropriately can toward solution of the problem of general crime. Under the law, however, it has its limitations which cannot be ignored.

You will no doubt be interested in a summary of the results of the Bureau's tax fraud activities over the period of the past few years. During the 5 fiscal years from 1946 to date, approximately 15,600 tax fraud investigations were completed by special agents of the Bureau in cooperation with the regular revenue agents or deputy collectors. These investigations resulted in additional tax and fraud penalty assessments of over \$1,000,000,000. During that same period, approximately 3,000 tax fraud cases were referred to the Department of Justice for criminal prosecution. Approximately 10 percent of these investigations and referred cases involve members of the criminal element. These include gamblers, slot-machine operators, bookmakers, extortionists, narcotic smugglers, abortionists, and a host of others.

As to current investigations, the record shows that as of May 31, 1950, the special agents had a total of 3,416 suspected tax fraud cases either under, or definitely scheduled for, complete investigation, and a total of 9,110 not yet reached for action and decision. Many of these cases also involve members of the criminal element. At the same time, of course, the revenue agents and deputy collectors are conducting initial inquiries into numerous other suspected fraud cases.

I think this record demonstrates that tax evaders of all types, including gamblers and racketeers, are receiving, and will continue to receive, the attention of the Bureau.

I will turn now to the second question which I posed at the beginning of this statement. How can the Bureau best aid this committee in the task which has been set for it?

I should like first to repeat the assurance which Under Secretary Foley has already given you of the desire of the Bureau to extend to you all possible cooperation and assistance in the conduct of your inquiry. I have an intense pride in the investigative competence and zeal of our revenue service, and feel sure that much of the experience which it has gained during the past quarter of a century will be of substantial aid and value to you in your task. We are glad to be able to make that experience available to the committee.

One of the significant things we have learned, and which you will undoubtedly encounter during the course of your investigation, is that there is quite a difference between the tax consciousness of some of our present-day racketeers and many of their predecessors of the early 1930's. To understand this difference, it is necessary to go back to the prohibition era and the postrepeal period when public attention was focused on the activities of a number of notorious gangsters and racketeers.

The story of how these criminals were successfully attacked through income-tax prosecutions is well known. There was, however, a basic reason for the success which attended these prosecutions. Actually, these individuals were caught by surprise. They had been successful in avoiding prosecution for their basic crimes, but had given no attention to the need for protecting themselves from tax prosecutions. Some of them had not even filed returns. A number reported no more than nominal income. Many carried on their illegal activities in a relatively open manner. In addition, their operations were more or less localized. All of these factors worked to the advantage of the Government's prosecution efforts.

These prosecutions, coupled with the effective post-repeal policing of the liquor traffic by our Alcohol Tax Unit, caused many of these law violators to turn to greener and safer fields. Gambling and bookmaking became their new stock in trade. While they were products of the same prohibition era that gave birth to our notorious gangsters of that period, they differ in one important respect from their tax-ignorant predecessors. Unlike the gangsters of the thirties, many of our modern big-time racketeers take deliberate and carefully contrived steps to defend themselves against the possibility of successful tax prosecutions. They obtain professional tax advice and, in numerous cases, they report substantial net income on their returns. They frequently attempt to insulate themselves from direct attack by operating through a maze of corporations, dummy stockholders, and "fronts." Under these conditions, investigations on the part of the Bureau, aimed at determining whether the returns or supporting records of these individuals are false or fraudulent so as to sustain a charge of criminal tax evasion, is frequently a long, difficult, and time-consuming process.

This is one of the practical aspects of our enforcement problem which we have encountered and one which has required us to develop new investigative techniques in an endeavor to meet it. It also presents for your consideration the question as to how much law enforcement officials concerned with the problem of general crime suppression and control can properly rely on the Federal taxing statutes for effective policing of our modern racketeers.

Because you gentlemen are concerned primarily with the criminal enforcement aspects of the Bureau's work, I have devoted substantially all of my statement to a discussion of our activities on that front. I would be most reluctant, however, to close this statement without making clear that, in relation to the size of our over-all job, we do not regard tax evasion as a problem of excessive proportions. I have no hesitancy in saying that the overwhelming majority of our taxpayers are honest and either file true returns or, if they err, they err in good faith. I think the public at large ought to know and ought to be reassured that, percentagewise, the number of persons who undertake to evade their income taxes is negligible compared to that great body of honest, forthright, and patriotic citizens who form the bulwark of our revenue system and our Nation.

The CHAIRMAN. Thank you, Mr. Bolich. Senator Tobey, have you any questions?

Senator TOBEY. On page 3 of your statement, paragraph 3, you say:

This Bureau has investigated, is investigating, and will continue to investigate any criminal, racketeer, or hoodlum suspected of evading his liabilities under the Federal tax law.

So we have there a specification of the intent of the Bureau to investigate frauds. Now we come to paragraph 4 and you point out that—

During that same period approximately 3,000 tax fraud cases were referred to the Department of Justice for criminal prosecution. Approximately 10 percent of these investigations and referred cases involve members of the crime element. They include gamblers, slot machine operators, bookmakers, extortionists, narcotic smugglers, abortionists, and a host of others.

Does that give the committee to understand that 90 percent of these investigations of tax frauds in the country are not of the criminal element?

Mr. BOLICH. That is right.

Senator TOBEY. They are of those who pose as good citizens.

Mr. BOLICH. That is right, sir. That is a rather fine distinction, but we are discussing two types of evaders, one—

Senator TOBEY. Ten percent are known crooks and the other 90 percent are gentlemen who are crooked inside but never had the appellation of crooks.

Mr. BOLICH. They have never been charged with any other crime.

Senator TOBEY. Take the tax recoveries here, which is a fine record. Do I understand if an informer comes to the Department and offers evidence that a person is defrauding the Government, that informer comes in for a fee basis or percentage basis of the recovered amount?

Mr. BOLICH. He can make a claim for the information he has given us, and that will be appraised on its merits.

Senator TOBEY. Have you paid sums?

Mr. BOLICH. We have paid considerable.

Senator TOBEY. What information do they have to give, information leading to conviction or just evidence?

Mr. BOLICH. Just to the recovery of the taxes.

Senator TOBEY. In other words, you or I may have a suspicion of John Jones who lives in our street or neighborhood, and we can advise the Department that he filed an inaccurate return, and if you investigated and found he did, whatever you recovered would accrue to Bill Smith who gave the information?

Mr. BOLICH. That may not follow. One of the things we try to determine in considering a claim for award is whether or not we would have found that deficiency in the regular course of our investigations. The informer has to develop as a fact that his information was unique in that we would not have had or could not have gotten it without him. We examine any number of returns every year, as you know. If it would have shown from our investigation of this particular case that this would have been turned up from the regular examination and in all possibility Jones would have been examined, then we take issue with the informer in allowing his claim.

Senator TOBEY. Then is there a field of claimants who have a hunch that somebody is defrauding the Government and who merely send in suggestions, and you separate the wheat from the chaff?

Mr. BOLICH. That is quite a lively group, in fact.

Senator TOBEY. There are some who live on that?

Mr. BOLICH. They try to, if they could.

Senator TOBEY. How much in total does the Department pay to so-called informers?

Mr. BOLICH. We were allowed \$500,000 for that by the Congress.

Senator TOBEX. Is that tax-exempt to the informer?

Mr. BOLICH. No, sir. We may even wind up withholding the tax from it.

Senator TOBEX. What is the percentage you pay?

Mr. BOLICH. Not to exceed 10 percent. It is up to us to determine that percentage administratively, based on the merits and the facts.

Senator TOBEX. Thank you.

The CHAIRMAN. Mr. Bolich, in 1947 you stated that you received over 90,000,000 tax returns. That is on page 1 of your statement.

Mr. BOLICH. Yes; in 1947 the number of returns increased to 90½ million.

The CHAIRMAN. Do you mind telling us how many special agents or agents investigating tax returns you have in your Department?

Mr. BOLICH. There are about 1,300 special agents and there are about 7,700 revenue agents. The deputy collectors are about 10,000.

The CHAIRMAN. Have you an appropriation for all of the agents that you requested from the Congress?

Mr. BOLICH. We have done fairly well with the Congress in the last few years, but things being what they are, there has been a tendency to economize and we have never gotten quite what we asked for.

The CHAIRMAN. Is it your opinion that it would be a good investment for the Government in tax returns to have a larger number of agents?

Mr. BOLICH. We have always contended that, sir, and we think we are correct in our analysis of the situation and that it is logical and sound.

The CHAIRMAN. Do you mind telling the committee what method you use in selecting the returns that you check? Manifestly you cannot check all of them.

Mr. BOLICH. At the present time we have instituted an audit control program after several years of study, in which we hope to scientifically select the returns which this analysis has indicated to us would be most susceptible of change. That does not mean just deficiency. That would mean that even the taxpayer might have made a mistake to his own disadvantage and would be entitled to a refund. We approach it from the standpoint of a study of the number of or percentage of incorrect returns, or returns in which there are apparently errors, which of course would be the field that we should operate in with our auditors and deputy collectors.

The CHAIRMAN. Do you think that is an effective way so that actually somewhere along the line you are apt to ascertain or get information about anyone who has not filed a correct return?

Mr. BOLICH. Yes. We hope to perfect methods whereby we can process the great bulk or the great volume of these incorrect returns by some other method than by having the agent or the deputy collector directly contact them and their books. We feel that some of these mistakes can be corrected without using our ordinary investigative methods. So we do reserve our so-called front line enforcement force of investigators then for those cases where we know we are going to have to go in and do a thorough and complete investigation.

The CHAIRMAN. Are these special agents and revenue agents civil servants?

Mr. BOLICH. They are all civil servants.

The CHAIRMAN. Are your deputy collectors?

Mr. BOLICH. Yes, sir; they are civil servants.

The CHAIRMAN. All of your agents, then, are civil servants.

Mr. BOLICH. They are all in the civil-service classification.

The CHAIRMAN. How long have you been with the Department?

Mr. BOLICH. Twenty-nine years.

The CHAIRMAN. Prior to being Assistant Commissioner, what did you do?

Mr. BOLICH. I started out as deputy collector and I became a revenue agent and afterward a special agent. I was a special agent from 1924 to 1929. In 1929 I was appointed internal revenue agent-in-charge, and I have been in charge of several divisions. In 1946 I was appointed special agent in charge of New York to succeed Mr. Hugh McQuillen, who, after some 55 years of Government service, had retired. After 21½ years at that post I was appointed Assistant Commissioner. That will be 2 years in September.

The CHAIRMAN. In making their tax returns, do these racketeers and the criminal element have to show the source of the money that they report in their return? I understood that some of them say, from business operations, from gambling operations, \$100,000 without any explanation about what kind of business it was.

Mr. BOLICH. They try to make a very general statement as to their source of income. I can remember any number of returns where it used to be labeled as commissions.

The CHAIRMAN. Is it your policy to require a more detailed statement of what their source of income is?

Mr. BOLICH. We make every effort to get a more detailed statement of the source of their income, but we are at a disadvantage there because it is a voluntary declaration of income, and under the policy of voluntary assessment we rely pretty much on the taxpayer's telling us the truth about his source of income, and it makes it difficult to go beyond his statement as to what his income is.

The CHAIRMAN. But in order to ascertain whether he reported it correctly, it would be of considerable benefit to you to require a detailed statement of the source of the income?

Mr. BOLICH. In this particular area we make every effort to get behind that statement of income and find out where it comes from.

The CHAIRMAN. Do you not think a general policy by your Department requiring a more detailed statement of the source of the income would be helpful not only in collecting more taxes but also in giving you information about the activities of this racketeering element.

Mr. BOLICH. In general, sir, the requirement of the return does give us that information, and in probably 98 percent of the cases we do get all the detail we need. It is just in this one particular area of our work that we are concerned with the question that you just posed.

Mr. HALLEY. Following up the chairman's question, you do, however, have the power to step in and to ask the taxpayer to clarify his return, do you not?

Mr. BOLICH. We could, yes.

Mr. HALLEY. Do you do that in the case of racketeers?

Mr. BOLICH. We have in many cases. In some cases we have even invoked the requirement that they keep records so that their source of income and their statement of income in particular can be verified.

Mr. HALLEY. The committee has received concrete cases in which, as well as the source of income being vague, very large amounts of expense are charged off without any itemization. One in particular upon which I hope you will be able to comment is the following: In connection with gambling enterprises, a business expense is charged off simply as payment to the bank roll. The bank roll is a sum of cash, we are informed, which is kept on the premises in order to pay gambling losses. Each night if the bank roll has been increased, the cash from the bank roll is supposed to be deposited in a bank account over and above a basic amount. If the gamblers have lost, the bank roll is replenished the next morning by a check drawn on the bank account, a regular formal bank account, made payable to the bank roll. The items appear to be very substantial. For instance, in one case, in which I will not name the taxpayer and I will waive the reward, the total gross income was in the neighborhood of \$500,000 and expenses were charged up on the tax return of over \$200,000 as simply "replenishment of the bank roll." It would seem to me that very large amounts of cash are completely unaccounted for.

Is there any way that the Bureau has of either checking up on the amount or bringing civil suit? I understand it would be very difficult to bring a criminal case.

Mr. BOLICH. We certainly would on the facts you have just indicated on that deduction of \$200,000.

Mr. HALLEY. We have not seen such tax return.

Mr. BOLICH. Has it been examined as such?

Mr. HALLEY. I think so.

The CHAIRMAN. I think it might be fair to say that that particular one is now under investigation.

Mr. BOLICH. Then, of course, they will have the very unenviable job of explaining that deduction. It would not follow that any money used to replenish bank roll would be allowed as a deduction from profit and loss. Any moneys coming in to a so-called bank roll with which they operate some of these gambling installations we would be very much concerned with, the same as we would be if you were the proprietor of a business and brought new capital into your enterprise, into your venture. We would want to know where you got it. Those are questions that we always ask.

Mr. HALLEY. I think that is a subject that you were discussing with the chairman. The subject in which I am interested is that the payments going to the bank roll from their own bank account is an accumulation of capital or income.

Mr. BOLICH. We would not allow it as a business expense because if that is the explanation, it certainly is not a business expense. That could be in the nature of a dividend or a withdrawal from the bank roll.

Mr. HALLEY. That is right, or it might be siphoned off into the pockets of any of them.

Mr. BOLICH. That is right, taken out of the venture.

Mr. HALLEY. Yet how could any gambling establishment file an income-tax return that would pass scrutiny unless you required them to keep detailed books on all their gambling transactions?

Mr. BOLICH. Many of them do keep detailed books. That is one of our problems. Our real problem is to prove that those books and records are incorrect.

Mr. HALLEY. For instance, an establishment that is running a crap game would hardly be in a position to keep a record of the wins and losses at a table each night.

Mr. BOLICH. Some of them do and, of course, some of them do not. Those that do not, we are pretty much at a loss as to how we can establish their true income over a period. One of the devices that we have used over the years is the comparative net worth approach to determining their income.

Mr. HALLEY. What I have had in mind in asking these questions is the statement you made in your formal presentation concerning your limitations in the proof of fraud cases and that seems to be completely unarguable. Is there not a very large field in which light should be thrown on situations in which racketeers can accumulate large sums of cash and yet not expose themselves to a provable tax fraud case?

Mr. BOLICH. The only way we can throw the limelight on them is either by a criminal reference, which winds up in an indictment, which makes it a public record, or by taking them to the Tax Court, where again it becomes a public record. Otherwise we are enjoined to maintain secrecy, recognizing a privilege between the taxpayer and the Bureau, no matter who it is.

Mr. HALLEY. Without disclosing any specific confidential names, do you think it would be possible in connection with your cooperation with this committee to bring before the public the picture of the possibilities for the accumulations of large sums of un-tax-paid wealth by people operating beyond the law?

Mr. BOLICH. That is something that would have to depend on Treasury policy which I am not responsible for. I would be reluctant to express an opinion on that. That would have to be from the Treasury.

Mr. HALLEY. Short of an expression of policy, would you say that without making a tax fraud case it would be possible to bring before the public facts in which the honest taxpayer would be interested, to find out how people operating outside the law are able to accumulate money which it is almost impossible to check on for income-tax purposes?

Mr. BOLICH. While I agree with what you are trying to accomplish, nevertheless there are any number of difficulties in trying to accomplish it. Of course, it would require a fundamental change in the law and its administrative provisions.

Mr. HALLEY. You would agree that one of the purposes of this committee would be very carefully to study and illustrate the various ways in which the law is certainly not capable of following the income and business expenses of people operating various rackets.

Mr. BOLICH. Yes, I think something could be accomplished in that direction but as I say it is going to be difficult without a change in the law.

The CHAIRMAN. Mr. Bolich, I do not understand that Mr. Halley in his first question meant giving the names of these particular people

necessarily, but to indicate to the public, so they would understand the seriousness of the problem of dealing with racketeers and gamblers, some estimate or idea of the amount of money that might be in their hands and subject of course to their investment coming from this type of activity.

Mr. BOLICH. I understood Mr. Halley's question to be concerned with that group of cases that fell short of criminal reference, yet nevertheless do have some of these characteristics which classify them as fraud cases. If those cases fall short of being prosecution cases there is no way of letting the public know about the avoidance or the evasion of tax. Was that your point, Mr. Halley?

Mr. HALLEY. I think the chairman has the point exactly, which is, without violating the law and mentioning names, or to the extent of violating your confidence, whether you could state facts which would illustrate the cases. Could you not do that?

Mr. BOLICH. It would have to be in a very general way.

Mr. HALLEY. The general facts could be stated in such a way that the nature of the near fraud would be perfectly clear to the public.

Mr. BOLICH. I think so, but I would not want to be held to any details as to how we could work that out.

Mr. HALLEY. Naturally. It is now in a nebulous state. In that connection, however, would you care to venture an opinion as to whether it has been possible and has actually happened that known criminals and racketeers have accumulated large fortunes? Have you any information on that subject?

Mr. BOLICH. I think the record of our published cases would sustain the premise that they have accumulated large fortunes. You can get that from the record of cases that we have prosecuted.

Mr. HALLEY. In many instances they now have very considerable sums of money invested in wholly legitimate enterprises; is that correct?

Mr. BOLICH. I would say that is right.

Mr. HALLEY. Thank you.

The CHAIRMAN. Thank you, Mr. Bolich. I see with you, Mr. Bolich, Mr. Charlie Oliphant, the Assistant Counsel for the Treasury Department. The chairman and the members of the committee know Mr. Oliphant. I understand you do not have a prepared statement, Mr. Oliphant, but would you care to give the committee the benefit of any ideas supplemental to Mr. Foley?

Mr. OLIPHANT. I will be glad to. I will proceed in any way that you wish.

The CHAIRMAN. We would be glad to have any general observation that you wish to make.

Mr. OLIPHANT. I think the statement we have here pretty well summarizes the difficulties that we have with respect to enforcing the criminal sanctions of the tax laws, and of course the work of all of us went into the preparation of this statement.

The CHAIRMAN. Would it be fair to ask you one question about a matter of legislative policy, Mr. Oliphant, and Mr. Bolich also? It is the general policy of the Treasury Department, the Bureau of Internal Revenue, that if a voluntary disclosure is made before the Department has information about a tax case or against an investigation, and if the tax plus the penalty and interest is paid, generally there will be no prosecution of the taxpayer; is that correct?

Mr. OLIPHANT. That is correct. That has been a part of the Bureau and Department policy since 1919.

The CHAIRMAN. We are informed that it has been proposed by the Ways and Means Committee of the House that that not be a Department policy but that it be made a part of the statute. It would appear to me, speaking personally, that that would be rather like a law saying that embezzlement is a crime, but if you later acknowledge your embezzlement that makes you innocent of the original offense. I am wondering what position the Bureau of Internal Revenue would take on this.

Mr. OLIPHANT. That is exactly the position of the Bureau and the Department. The proposed provision does not appear in the bill as reported to the House.

The CHAIRMAN. In other words, you are opposed to that provision.

Mr. OLIPHANT. Exactly.

The CHAIRMAN. Do you wish to elucidate any further on your reasons for your opposition to that proposal?

Mr. OLIPHANT. The reason, as far as I would state it, is that in enforcing the criminal laws we are in the same position as any prosecuting attorney, and as you well know, the prosecuting attorney may have before him an absolutely mandatory statute which requires a presentation to a grand jury for the violation of any law, but that does not mean that the prosecuting attorney will prosecute every case that comes before him. There is lodged in the prosecuting attorney, and by the same token there is lodged in the Bureau, discretion with respect to the cases that will be proposed for prosecution. Historically that is the way all criminal laws are administered. The basis of the Bureau's objection goes just to that, with one further point. In addition to having to try the case twice, namely, once on whether there was or was not a voluntary disclosure and second whether there was or was not tax evasion, a statute of the type proposed could seriously cripple the revenue because the taxpayer, knowing he has a statutory right, could well figure, "I will file a return for half of my income now and when they come around to see me I will file a return for the other half."

The CHAIRMAN. In other words, it might be a little more convenient later on.

Mr. OLIPHANT. That is right. It is at that point that the total revenue could well be endangered because it would affect adversely the voluntary compliance that most taxpayers have in filing their original returns.

The CHAIRMAN. Before we leave that subject, do you wish to question Mr. Oliphant, Senator Tobey?

Senator TOBEY. Just one question, please. I want to ask you, Do you suppose that it was the intention of those who proposed this change in the law to give that latitude to gentlemen who might want to carry through just as you have suggested?

Mr. OLIPHANT. I do not think I could say what the intention was.

Senator TOBEY. In efforts about which you and I have some definite understanding, certain entrepreneurs and prominent gentlemen in this country avoid paying taxes through clever legal devices, to be specific, the setting up of so-called charitable trusts which are phoney charitable trusts and which allow them to avoid millions and millions in

taxation. Do you feel that the changes proposed by the Ways and Means Committee in the present tax bill would plug that loophole to some extent and make more justice for taxpayers as a whole?

MR. OLIPHANT. That would be my personal opinion.

Senator TOBEY. You are familiar with that law, of course.

MR. OLIPHANT. I am.

Senator TOBEY. Do you agree with the action of the House Ways and Means Committee concerning legislation some of us have introduced?

MR. OLIPHANT. I am going to pass that question to Mr. Lynch or Mr. Foley. Mr. Lynch is responsible for the views of the Department on that.

Senator TOBEY. Then as we go ahead that would seem to be just elementary justice, and isn't it a truism, and put it on the record, that on the advice of distinguished counsel of the Internal Revenue Department, every dollar of taxes that these entrepreneurs and prominent gentlemen avoid by this clever device, which has been legal, the rank and file of citizens, 150,000,000, must take up the slack and pay for the cost of government. Is that not true? That is elementary, is it not?

MR. OLIPHANT. That is right. Whenever there is an evaded or avoided dollar, then the slack has to come from somewhere else.

Senator TOBEY. Exactly. So if that were realized more closely and thoroughly by the people across the country we might develop a sense of righteous indignation about these gentlemen who look after No. 1 and forget the common interest. Is that an idealism or a truism?

MR. OLIPHANT. I would agree with your conclusion.

Senator TOBEY. Thank you very much.

MR. FOLEY, do you care to comment on that?

MR. FOLEY. I would like to say, Senator Tobey, while we are on this subject that in fairness to the Ways and Means Committee this disclosure proposal was not considered favorably by the Ways and Means Committee, and it is not in the bill that was introduced by the chairman and that is now under consideration by the House.

Senator TOBEY. Then you got the wrong impression from what was said here at the table. I gathered it was considered by the committee.

MR. FOLEY. But it was not considered favorably by the committee.

Senator TOBEY. Who was the brilliant mind that thought that up and proposed it?

MR. FOLEY. I really don't know. It was considered by the committee, and the Department's views were presented to the committee. The committee rejected the proposal.

Senator TOBEY. Good for them. Now touching upon the question I asked eminent counsel, Mr. Oliphant—and I say that in all sincerity—about the so-called charitable trusts, you undoubtedly have reviewed this thing. In your judgment are you making progress in the avoidance of that menace to the taxpayers?

MR. FOLEY. I think we are making appreciable progress, yes, in the closing up of loopholes that exist in the present law which afford legitimate means for avoiding taxes.

Senator TOBEY. I thank you, sir.

The CHAIRMAN. If the record shows I stated the voluntary disclosure amendment had been approved by the Ways and Means Committee, I want to correct it. I think it was approved by the subcommittee or at least was considered by the Ways and Means Committee. I want the record correct on that point.

Senator TOBEY. I presume if the subcommittee approved and the larger committee did not, that is an obvious demonstration of the fact that in a multitude of counsel there is wisdom.

Mr. FOLEY. The processes of democracy.

The CHAIRMAN. Mr. Lynch, I would be glad to have you give us comment as general counsel for the Treasury Department.

Mr. LYNCH. I have only a comment to make with reference to Senator Tobey's last inquiry with respect to the matter of charitable trusts. As the Senator doubtless knows, the Ways and Means Committee in its present bill has attempted to deal quite effectively with that situation. As a matter of fact, they have directed their attention to the two principal areas of what we might call avoidance. The first is in the accumulation of income for purported charitable purposes without payment of the income, and the second is with respect to the close relationships as between the creators of the trust on the one hand and the management of the business enterprises under management on the other hand. They have attempted to deal effectively with those two principal points in the pending bill with reference to charitable trusts.

Senator TOBEY. I am so glad you said that. Mr. Oliphant knows whereof I speak. In fact, in an investigation into certain cases along these lines we developed a so-called charitable trust which started at nothing and went to several million dollars in a short space of time by this modus operandi. They accumulated considerable sums, but the beneficiaries never got even a smell of them. There is another weakness in the situation. It is a charity, but the beneficiaries never experienced the charity. The accumulated capital is used as working capital, you might call it, to deal in commodities and industries, and so forth, which should go to beneficiaries. In some cases, as a matter of fact, the trustee's salary would be far more than was paid to the beneficiaries, and in some cases the salaries were all of it, and nothing was paid to the beneficiaries. No audit was required. The trustees of the trust had the power to sell securities and profit themselves without notifying anybody about it. So it goes on ad infinitum, ad nauseam. So if you have a passion in your soul to make this Nation a nation in which there is righteousness and to give everybody a square deal, you cannot sit by idly and say "Let them get by with it."

I might point out I think it was today or yesterday that in a Federal court in this country there will probably be a settlement effected, an interesting settlement respecting the initiation and the results, of such a trust. I am interested very closely in it, as Mr. Oliphant knows. I think some of us have the conception that we are fiduciaries of the people, and here is a field in which we must operate and be very firm.

The CHAIRMAN. Mr. Lynch, would you or Mr. Oliphant outline the procedure that is followed before a case reaches the district attorney for prosecution in a tax-fraud case? We have heard some criticism that there is too much delay between the time the return is made and the time of the prosecution, if it ever comes. On the other hand, we want to give the taxpayer every consideration and opportunity to be heard and to protect his rights. So if you would outline the procedure that is followed and also give us your comment about whether that is enough consideration or whether there is too much delay, we would be glad to hear from you.

Mr. LYNCH. I would be very happy for Mr. Oliphant and Mr. Bolich to answer. That involves the administrative processes of the Bureau of Internal Revenue and its various branches, very distinctly the Office of the Chief Counsel of the Bureau of Internal Revenue. I think they might well outline that for you in detail. Perhaps Mr. Oliphant would comment on that.

Mr. OLIPHANT. I shall take a typical case where the examining revenue agent is performing a routine audit, a verification of the taxpayer's return. He may discover there in that routine audit a suspicious circumstance with respect to inclusions of income or false deductions. At that point the case will be taken up with a special agent and a thorough investigation will be made. When I say thorough investigation, that may be quite a time-consuming process. After the investigation has been completed, if the special agent and the special agent in charge believe that the taxpayer has committed a fraud upon the revenue and that the evidence will support a prosecution, he will then recommend that prosecution. That recommendation passes from the examining officer to my office, which is a group of lawyers spread over the country, who go over that report and the accompanying exhibits and evidence adduced, to determine whether in the opinion of the lawyer the taxpayer is guilty of attempted evasion and whether there is sufficient evidence to convict.

The Commissioner, therefore, has two functions: One, the examining function made by the agents, and the other, a determining function made by the lawyers. If it is concluded that the recommendation of prosecution should go forward to the Department of Justice, that will go to the Commissioner or the Assistant Commissioner for approval of that recommendation. The case then goes to the Tax Division of the Department of Justice. They go over the case, and if they believe a prosecution should be undertaken, they then refer the case to the United States attorney in the field. He will then go over the case and present it to a grand jury for indictment.

That is the pattern all of the cases follow.

You referred to some statements that have been made that there is a delay in the process. Fraud cases and particularly criminal fraud cases in terms of numbers are a minor amount of the Bureau's work. The great business collected, as the Assistant Commissioner has pointed out, is voluntary. In this specialized area of criminal fraud it has to be time-consuming, and for two purposes: One, to be sure that the taxpayer is guilty and, second, to be sure that we have developed all of the evidence.

The CHAIRMAN. Then I take it you are satisfied with the present steps by which the returns are investigated before the prosecution.

Mr. OLIPHANT. I would say we are satisfied with our method of procedure. It does fall behind what is the usual audit year, but that is just because of the nature of the case. It is not like a civil determination where there is no fraud, where you can believe what the taxpayer says, where the case can be settled, as more than 98 percent of all the revenue cases are, without even civil litigation.

The CHAIRMAN. Any further questions? Thank you very much, Mr. Oliphant.

Mr. FOLEY. Mr. Chairman, if it is agreeable I would now like to call Dwight Avis, Assistant Commissioner of the Alcohol Tax Unit.

TESTIMONY OF DWIGHT E. AVIS, ASSISTANT DEPUTY COMMISSIONER, ENFORCEMENT, ALCOHOL TAX UNIT, TREASURY DEPARTMENT

The CHAIRMAN. All right, Mr. Avis, we will be glad to have your statement. First tell us how long you have been Assistant Deputy Commissioner.

Mr. AVIS. Since the Alcohol Tax Unit was formed, which was in 1934. Prior to that time I was in the field as a supervisory officer and prior to that time as an investigator.

The CHAIRMAN. How long altogether have you been with the Alcohol Tax Unit?

Mr. AVIS. Since 1926; 24 years. That is the Alcohol Tax Unit and its predecessor agencies.

May I proceed, Mr. Chairman?

The CHAIRMAN. Yes; please proceed, Mr. Avis.

Mr. AVIS. I am glad to supplement Commissioner Schoeneman's statement and to tell the committee of the work of the Alcohol Tax Unit.

The Alcohol Tax Unit is a compact self-supporting unit of the Bureau of Internal Revenue, the activities of which are coordinated with the functions of other units of the Bureau and with other enforcement agencies of the Treasury Department. It is charged with the control and supervision of the legitimate liquor and industrial alcohol industries, the assertion and assessment of liquor taxes, the suppression of the non-tax-paid liquor traffic, the enforcement of the Liquor Enforcement Act of 1936, and the National and Federal Firearms Acts.

The regulatory function is referred to as permissive and the law-enforcement function as enforcement. The activities of the Unit are administered through 15 supervisory headquarters districts and 58 branch offices. There are 4,180 employees in the field service, of which 1,418 are storekeeper-gaugers engaged in the supervision of plants, 610 are inspectors who exercise regulatory functions, and 900 are investigators engaged on strictly law-enforcement work. The Unit's appropriation allotment for the current fiscal year is approximately \$17,905,000, of which \$5,834,000 or 33 percent, is allocated for strictly law-enforcement activity.

Existing legislation covering the regulation and supervision of the legitimate liquor industry and the collection of excise taxes is regarded as entirely adequate, the Congress having just enacted a bill modernizing the collection of liquor taxes. Under the internal revenue liquor laws, the Bureau has complete control of liquors for beverage purposes and industrial alcohol from the point of production to the point of distribution to the consumer. This control is maintained through a rigid system of permits, inspection, investigation, and direct supervision. There is a high degree of observance of the internal revenue liquor laws on the part of the industry, which is due in part to the vigilance exercised by the Bureau. A segment of the industry did engage in extensive black-market operations during the whisky shortage. The objective of these black-market operations was to evade income taxes in toto on cash "side money" transactions. Under an arrangement with the former Office of Price Administration, the Unit

perfected a substantial number of criminal cases against industry members resulting in millions of dollars in cash "side money" transactions being reported to the Income Tax and Intelligence Units for tax evasion investigative purposes. This is an example of the close coordination of the Bureau's activities.

Time has wrought significant changes in the law-enforcement problem. Prohibition developed the most lucrative criminal enterprise the world has ever known. Murderers, thieves, confidence men, and petty criminals of all types entered the traffic, later to be characterized as "gangsters, racketeers, and mobsters." Large syndicates were formed, particularly in the metropolitan cities, to control the illicit traffic. Territory was allocated by the block. Gang slayings became an almost daily occurrence as these criminals fought for control of this lucrative traffic. The present-day racketeer is largely a product of that era.

The confidential list of alleged prominent underworld figures recently prepared by the Department of Justice, or, for that matter, any other list of so-called public enemies, represents, for the most part, a roll call of the master minds who directed large-scale illicit liquor operations during the prohibition and immediate post-repeal era. These individuals, with few exceptions, have deserted the non-tax-paid liquor traffic for more lucrative and perhaps less hazardous rackets. Even before the beginning of the war the Alcohol Tax Unit, with the assistance of the Department of Justice, through effective policing and criminal prosecution had reduced the syndicated traffic in metropolitan cities to the point where only remnants of the prohibition and post-repeal groups of violators remained.

Sugar rationing and other wartime controls tended to further restrict illicit distilling in all sections of the country. While small illicit stills are being operated in practically all areas, there is little organized traffic, except in metropolitan centers on the east coast and in the Southern States.

At the present time there are several groups operating on an interstate basis in the Pennsylvania-New Jersey-New York-Connecticut-Massachusetts area engaged in the production and distribution of high-proof alcohol for beverage purposes. Some of these groups have been persistent in their operations and effective policing and prosecution have failed to eliminate them, although practically all of the principals involved, as well as their subordinates, have served one or more terms in the penitentiary. This type of operation, however, constitutes only a fraction of the prewar traffic in this area.

The non-tax-paid liquor traffic in the Southern States of Alabama, Arkansas, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, Oklahoma, Tennessee, Virginia, and West Virginia, however, has presented a much more difficult enforcement problem. The Unit has never been able to satisfactorily control the illicit traffic in these States, violations in some of which are now rapidly approaching the pre-war level. Certain of these areas make up the preprohibition Moonshine Belt where in the mountain sections illicit distilling has been inherent in the population and the technique has been handed down from generation to generation.

The CHAIRMAN. I notice Louisiana is not included in that list of States.

Mr. AVIS. We have been able to lick the traffic in Louisiana pretty well, Senator. We have never quite been able to understand it our-

selves. There is a Federal judge in the northern judicial district, maybe they call it the western district, with headquarters at Shreveport, who right after repeal started sending these fellows to the penitentiary for 5 years, and that probably has something to do with the solution along with the over-all type of liquor control in the State of Louisiana as distinguished from most of the other States.

The CHAIRMAN. You do not have any mountains down there.

Mr. AVIS. That could have something to do with it, too, Senator.

The distilling apparatus used by the moonshiner requires virtually no financial outlay, and the character of the violator is often such that imprisonment does not prove the deterrent to be expected. That is a little inconsistent with what I just said, but we haven't had any judges that have been quite so severe as Judge Dawkins was in Louisiana.

The underlying reason for the large volume of violations in these States is the preponderance of low-income groups which furnish the demand for cheap spirits, coupled with the fact that more than 40 percent of the population is located in local-option counties where tax-paid liquor is not readily available.

Since repeal, the Unit, up to and including the month of May 1950, seized 162,292 illicit distilleries, 105,000,794 gallons of mash, 47,000 automobiles and trucks, and arrested 293,800 defendants. It now appears that during the current fiscal year the Unit will have seized approximately 10,000 illicit distilleries, 5,000,000 gallons of mash, 2,000 automobiles and trucks, and arrested 10,000 persons. As indicated, the great volume of violations represented by these statistics is in the Southern States.

Non-tax-paid competes with tax-paid liquor in the low-income market. Increases in liquor taxes not only increase the revenue but increase the law violators competitive margin. Just how effective the Unit's enforcement effort has been in suppressing the non-tax-paid liquor traffic and in increasing and protecting the revenue is reflected by the fact that mash-gallons seized at illicit distilleries, which is the best measure of enforcement progress, decreased from 21,373,000 gallons for the fiscal year 1935 to approximately 5,000,000 gallons for the current fiscal year, or in other words 76.6 percent. During the same period of time, tax-paid withdrawals of domestic and imported spirits increased from 82,558,000 proof-gallons to about 157,000,000 proof-gallons, or by about 90 percent. The tax on distilled spirits was increased from \$2 to \$9 a proof-gallon during the same time.

Just a few words about the National and Federal Firearms Acts. These laws were enacted by the Congress at the suggestion of the Attorney General following a wave of kidnappings and bank robberies in the early thirties. The over-all objective of the National Firearms Act, which became effective July 26, 1934, was to keep strictly gangster weapons, namely, machine guns and sawed-off weapons, out of the hands of the criminal element by freezing these weapons in the hands of the then owners through the imposition of a prohibitive transfer tax. The National Firearms Act, as well as the Federal Firearms Act which was passed September 30, 1938, provided an emergency method of prosecuting persons apprehended either in the possession or in the transportation of weapons coming within the purview of these acts where such individuals had criminal records and were suspected of the commission of crimes of violence.

Inasmuch as practically all privately owned machine guns at the time of the enactment of the National Firearms Act, were in the hands of banks or law-enforcement officers, very little difficulty was encountered in the enforcement of the law until the influx of so-called war souvenir weapons, which were either sent or brought back by the military forces. As soon as it became apparent that these weapons were becoming a threat to law enforcement, this Unit instituted in September 1945 an intensive investigative and educational program designed to bring about the registration of all fully automatic weapons such as machine guns and machine pistols. Every medium of publicity was resorted to, including newspaper and magazine articles, radio and television programs, public addresses, exhibits and posters, as well as direct notices to veterans as to the requirements of the acts.

During the last 5 years 103,000 firearms have been examined, resulting in the registration with the Bureau of Internal Revenue of 14,717 weapons, 99 percent of which have been machine guns and machine pistols. Eight thousand three hundred and seventy-nine of these weapons were rendered permanently unserviceable through facilities arranged by the Government in accordance with a program inaugurated by the Unit by which the owners of the firearms would voluntarily agree to their deactivation. One hundred and sixty machine guns and machine pistols, 400 sawed-off shotguns, and 92 sawed-off rifles have been seized in connection with criminal cases perfected by the Unit.

Due to the Unit's investigative effort and the publicity campaign carried on in conjunction therewith, underworld characters are finding it increasingly difficult to acquire machine guns from veterans and their families. As the result, these criminals are purchasing shotguns and sawing off the barrels with the intent of using them in the commission of violent crimes. Under the law, the failure to register a shotgun sawed off to less than 18 inches in length subsequent to acquisition does not, in the absence of a transfer, constitute an offense. Legislation to correct this defect in the law is needed.

In order that the Unit might have the cooperation of local officials in the enforcement of the National and Federal Firearms Acts and so that they would understand just how these laws could be of assistance in maintaining law and order in their communities, every police department and sheriff's office in the United States has been circularized, and in a great many instances contacted by investigators. The Unit is, of course, anxious to be of every assistance consistent with its jurisdiction to both local officials and this committee in connection with the suppression of interstate crime.

The CHAIRMAN. Mr. Avis, we appreciate your statement. You have made one suggestion for legislation which would help the enforcement work of your Bureau. Do you have any other recommendations of that nature?

Mr. AVIS. That is all, Senator.

The CHAIRMAN. How serious is the matter of failing to register shotguns, sawed-off shotguns, and so forth?

Mr. AVIS. There is no terrific volume involved, Senator, but when you get one of those cases it is usually the kind of fellow that ought to be put in the penitentiary. He is usually a racketeer or a robber. Two cases that come to my mind in the last 2 weeks involved in both

instances criminals with long robbery records. One of them was on probation with a 20-year sentence from a California penitentiary. As far as volume of cases, I would say it is not a serious matter, but the intent of the Firearms Acts was to reach these specific situations which the local officers could not reach under their State statutes.

The CHAIRMAN. Thank you very much, Mr. Avis. Are there any questions, Mr. Halley?

Mr. HALLEY. No; I have no questions.

The CHAIRMAN. Mr. Foley, it is quite apparent that we are not going to be able to finish this most useful and interesting session at this time. I wonder what is your pleasure and the pleasure of the other gentlemen who have been so good as to come up here this morning.

Mr. FOLEY. We are at your disposal, and anything that suits your convenience I am sure we can adjust our schedules to meet, Mr. Chairman. If you would like to have us come back this afternoon, we will be glad to come back this afternoon. On the other hand, if you want to ask us to come back tomorrow morning, that will be entirely agreeable.

The CHAIRMAN. Mr. Foley, could you come back here at 2 o'clock and carry on this afternoon?

Mr. FOLEY. That will be entirely satisfactory. I have three additional witnesses and I think probably their part of the schedule would take about an hour, that is, not including any questions that you might want to put to them.

The CHAIRMAN. We would appreciate it very much. I am sorry to inconvenience you and your other witnesses, but we have this situation.

Mr. FOLEY. We will be very happy to be back at 2 o'clock.

The CHAIRMAN. We will stand in recess until 2 o'clock this afternoon when we will resume our meeting here.

(Whereupon, at 12 noon the committee recessed until 2 p. m. the same day.)

AFTERNOON SESSION

(The committee reconvened at 2:40 p. m. pursuant to the taking of the noon recess.)

The CHAIRMAN. The committee will come to order. The Chair wishes to apologize for being late. At the time we recessed I did not know that the draft was to be voted on at 2 o'clock, and then following that we had some discussion about extension of rent control for the District.

Mr. Foley, who should appear as the next witness?

Mr. FOLEY. Mr. Chairman, if it is agreeable, I would like to call Mr. Harry Anslinger, the Chief of the Narcotics Bureau as our next witness.

TESTIMONY OF HARRY J. ANSLINGER, COMMISSIONER OF NARCOTICS, BUREAU OF NARCOTICS, ACCOMPANIED BY M. L. HARNEY, ASSISTANT TO THE COMMISSIONER

The CHAIRMAN. Mr. Anslinger, we appreciate your appearance. The committee has had a lengthy executive session with Mr. Anslinger, and today Mr. Anslinger will testify about matters which he feels can be made public at this time.

Mr. Harney, we welcome your appearance also.

First, Mr. Anslinger, you became Commissioner of the Bureau of Narcotics upon its creation in 1930, did you not?

MR. ANSLINGER. Yes.

The CHAIRMAN. You have held that position since that time?

MR. ANSLINGER. Ever since.

The CHAIRMAN. I think the effective work you have done deserves the compliments of the committee and this country. All right, Mr. Anslinger.

MR. ANSLINGER. Enforcement of narcotics laws in this country for a generation has not only stopped the spread of narcotic addiction but has reduced its incidence by more than half. This reduction has been steady and unspectacular. But over the years it has represented a great gain against the traffic. The downward trend in the traffic and in addiction, which was continued and was even accelerated through the war years, recently has shown a reversion. Some retrogression was to be expected. However, the recent increase in addiction, mainly among young hoodlums, and the more ready availability of heroin in many parts of the country has been marked.

Since it is a truism that addicts make addicts, and because a majority of the persons who become addicted cannot be cured by any means presently known, there is a tremendous responsibility on law enforcement to prevent addiction by shutting off courses of narcotic supply. Our present situation suggests that our agent force is numerically inadequate. We are carrying on with about the same appropriation as we had 20 years ago. I think it is actually less. The fact that we have practically the same funds as in the immediate prewar days means that our agent force has been reduced about one-fourth from that period. This is a severe attrition in an organization which must be spread so thinly. We have approximately 180 men for the entire country.

The Bureau of Narcotics is daily concerned with interstate criminal organizations. This is obviously the case since most of the narcotics in the illicit traffic are not produced within the United States but flow here from abroad. On being landed here, they are distributed throughout the country. This distribution is accomplished sometimes by individuals, but more generally by organizations of greater or less complexity. Sometimes a relationship between individuals in these organizations will be merely on the order of buyer and seller. More often it will consist of a number of persons in a common conspiracy to distribute narcotics. Persons may shift from one organization to another and intermittently in and out of the traffic.

However, our experience has taught us that once a man has had a taste of the business, he is a logical suspect to repeat. Before the war, some of the most important gangsters in the country were in the illicit narcotic traffic at one time or another.

Such hoodlums as "Waxey" Gordon, "Legs" Diamond, "Lucky" Luciano and their organizations have from time to time dipped into the narcotics traffic. Perhaps the most notorious gang was the so-called Murder, Inc., headed by Louis "Lepke" Buchalter. This was not only an interstate but actually an intercountry and intercontinent organization obtaining its supplies in China, mostly in the Japanese concession in Tientsin, and distributing them from New York throughout the country, particularly to the Southwest. At the time, we estimated this organization smuggled into this country and dis-

tributed enough narcotics to supply one-fifth of the entire addict population.

Sometimes big-shot racketeers get into the narcotic traffic by merely financing ventures of others. Sometimes they "muscle in" on a lucrative business built up by lesser criminals. Buchalter was a good example. We proved that circumstance in the case where we convicted him, and he got a 12-year sentence on narcotics charges. On the other hand, Emanuel "Mendy" Weiss, often considered Buchalter's first lieutenant, actually participated directly in the narcotics business for several years. We arrested Weiss when he became a fugitive on narcotics and murder charges and he was successfully prosecuted with Buchalter for murder by the New York authorities. He was convicted on narcotics at the same time.

Naturally the interest of major racketeers in the narcotic traffic is as far removed as possible from overt participation. It may be only a small item of their manifold operations. Assembling of competent evidence against them is a tremendously difficult undertaking.

Interstate crime operations may take some specialized forms. Before the war we had to deal with a situation where the facilities of a Chinese tong were being used in the interstate distribution of drugs.

In the war years, we had to cope with the depredations of bands of accomplished robbers and burglars who, from centralized points, ranged all over the map robbing and burglarizing legitimate wholesale narcotics stocks. That is still the case today.

Incidentally, in meeting this problem, we found the interstate flight from justice law to be of great help in those cases where it appeared the prosecution should be locally on robbery or burglary charges rather than for a Federal narcotic offense.

Organizations of interstate racketeers are the underground railway over which passes crime of all sorts in this country.

In 1947, through breakdown in controls in that country, a tremendous quantity of cocaine, the output of 17 clandestine factories, became available in Peru. Many seamen on ships plying between our east coast and parts in Peru engaged in smuggling this drug, and the aggregate result was that a very substantial amount of cocaine was brought in. Within several months, cocaine appeared in the illicit narcotic traffic in almost every section of the country. Prior to that time, the cocaine traffic had been practically nonexistent for more than 15 years. You couldn't find one cocaine case in a thousand that we sent to the penitentiary.

Tremendous efforts by this Government and the Peruvians have materially reduced the influx of cocaine. It is just about dried up now. The suppression of this traffic has averted a serious crime wave because the use of cocaine always presages a crime wave.

Anyone who reads the daily papers must realize that interstate criminals in commercial rackets, of which narcotics is one, number among the ranks some of the most dangerous and deadly thugs in the country.

Joseph Sica and Alfred Sica, of California, are hoodlums with important underworld connections in the East and in California to which State they came some years ago. In 1949 a narcotics case was developed against the Sicas principally on the testimony of one Abraham Davidian. Early this year while the case was pending for trial, Davidian was shot to death while sleeping in his mother's home

in Fresno, Calif. The reason I mention these cases is that I want to lead up to the recommendations that I am making.

Another west-coast case of great importance was developed in 1944. This case concerned a New York-California-Mexico smuggling ring in which Salvatore Maugeri and others were convicted. During the course of the investigation, a narcotic agent working undercover learned that one of the ring with whom he was negotiating, Charles "Big Nose" LaGaipa, of Santa Cruz, Calif., was in bad odor with some of his criminal associates. LaGaipa disappeared. He never has been found. His car was recovered with blood on the seat and brain tissue on the dash board.

One Ignazio Antinori of Tampa, Fla., went to Habana, Cuba, frequently to obtain narcotics for middle western associates. Their leader was Joseph DuLuca. Allegedly because he delivered some drugs of poor quality and did not promptly make restitution, Antinori was killed in Tampa by shotgun fire in 1940. In 1942, we arrested DuLuca, Antinori's two sons, Paul and Joseph, and several others. They were convicted in a trial in which Carl Carramusa, a codefendant appeared as a witness for the Government. Carramusa moved to Chicago to escape possible vengeance by the combine. In 1945, as he was repairing a tire in front of his home, he was killed by a shotgun blast before the eyes of his 15-year-old daughter. The murder is still unsolved. Neighbors who could have furnished information remain silent because of fear.

Many other such incidents could be cited.

With the help of our sister services in the Treasury and with the fine support of law-enforcement officers throughout the country, we have employed all our resources to reduce the internal narcotic traffic, With about 2 percent of the Federal criminal law-enforcement personnel, we account for more than 10 percent of the persons committed to Federal penal institutions.

Through the United Nations, where I am the United States representative on the Commission on Narcotic Drugs, and through other channels of international cooperation, this Government has been exerting every effort to see that the external sources of narcotic drugs are eliminated. Right now, we are trying to bring about agreement among opium-producing countries, particularly in the Near East, to reduce their production to medical needs. We already have an agreement with Turkey, Yugoslavia, Iran, and India to limit the production of opium to world medical needs. That agreement will go to the United Nations Commission and then to the Assembly for signature, we hope. The idea is to set up an international monopoly within the United Nations which will allocate the opium required to these countries for production. The monopoly will buy it and dispose of it. We hope that in that way we can eliminate this tremendous opium overproduction particularly in Turkey and Iran. The present main source of supply for heroin in this country today is Istanbul, Turkey; for opium, it is Iran. Narcotics may come direct or by European way-stations. Mexico, an important source of supply in war years has happily been reduced in prominence, except for marihuana, due to the efforts of its Government to suppress the traffic and because alternate supplies are now available from the Near East.

Where requested, we have assisted foreign police in apprehending some of their international traffickers supplying this country with drugs. We maintain, in booklet form, a watch list of major international narcotic suspects. We distribute this in strategic points in this country and abroad. We believe this has served to restrict the movements of many of these racketeers and it regularly results in the apprehension of some of them. On one occasion, the assistance of this list served to break up an international smuggling ring in a matter of a few days.

One of the largest smuggling rings, probably the largest that we ever encountered was eliminated through the use of this so-called blacklist. The consul in Istanbul at that time telegraphed No. 89 here, and at that point the police of 12 countries went into action and broke up the ring in a very short time.

What I have said probably forecasts the recommendations I would make. The narcotic traffic is a vicious, commercial racket which lives on the slow murder of its customers.

These are the recommendations, Mr. Chairman:

No. 1. The average prison sentence meted out in the Federal courts is 18 months. Short sentences do not deter. In districts where we get good sentences the traffic does not flourish. You heard Mr. Avis talk this morning about the situation in Louisiana. When you get a good judge who metes out appropriate sentences the traffic disappears.

Both the League of Nations and the United Nations have recommended more severe sentences as one of the best methods to suppress the traffic.

In many countries that has been very effective.

No. 2. There should be a substantial increase in the authorized strength of the Bureau of Narcotics. I stressed this point before.

No. 3. Federal law-enforcement agencies dealing with racketeers should be provided with the means of protecting Government witnesses and persons furnishing information under all circumstances. The two cases I mentioned before illustrate that point. This might mean changes in the appropriation act language of some services. Also, the criminal laws dealing with the protection of witnesses might be strengthened.

No. 4. I submit as worthy of study a proposal that some centralized agency maintain a gallery of major interstate racketeers and systematically collect, correlate, and disseminate information respecting them, a procedure along the lines of the Treasury Department lists of major narcotic suspects. We have both a national list and an international list.

Often the operations of modern big-time racketeers are so diverse and so extensive geographically that few individual local officers can comprehend their magnitude or realize the significance of the small segment which is within their ken. A device of this sort which would spotlight the operations of a major criminal would prove most helpful.

We couldn't possibly get along today without those two lists. As a matter of interest, the lists first were to have been published by the League of Nations, but they found they would have been in difficulty in broadcasting pictures and information on suspects. So we undertook that work.

No. 5. We would like to see more of the States set up special State narcotic law-enforcement squads as is the case in Pennsylvania and California. Also, we would like to see more cities organize special police narcotics squads similar to those of Los Angeles and New York.

The CHAIRMAN. Thank you very much, Mr. Anslinger.

Any questions that I may ask or that Mr. Halley may ask, if you feel that answering them would interfere with your work or that the answer should be kept confidential, do not hesitate to say so.

First, Mr. Anslinger, in connection with your first recommendation of longer sentences, as you know, we are preparing a study as to the length of sentences handed out by the various district courts. You find that where you have more severe sentences, you have less traffic in narcotics. Do you recommend that the narcotics law be changed by Congress to provide for larger sentences, or should it be handled by the judicial council going over the matter with various district judges, pointing out to them the over-all picture and importance of larger sentences from the national viewpoint?

Mr. ANSLINGER. There should be a minimum sentence for the second offense. The commercialized transaction, the peddler, the smuggler, those who traffic in narcotics, on the second offense if there were a minimum sentence of 5 years without probation or parole, I think it would just about dry up the traffic.

The CHAIRMAN. Many district judges on first conviction give offenders a suspended sentence in many cases, do they not?

Mr. ANSLINGER. That is true.

The CHAIRMAN. But most of the big operators you have have been before the courts several times. If you had a larger sentence for the second and third convictions, do you think that would help your problems greatly?

Mr. ANSLINGER. I think it would go a long way toward suppressing the abuse of narcotics. Most of these peddlers have an average of three convictions, and the third conviction is usually 18 months. If they had to serve 5 years on the second conviction, they certainly would not try it again. Probably after the first conviction they would not risk a second conviction.

The CHAIRMAN. In connection with point 2 of your recommendations, I happen to know that many of your agents work long hours and do not think about quitting time. They very infrequently have time off. They do put in a great deal more work than they are required to do, and from what I know about it, I agree that you should have a larger authorized strength. I think the same thing is true about a good many other enforcement agencies.

I wanted to ask about the Bureau of the Budget and the appropriation for next year. Has any provision been made for increasing your strength in the next fiscal year?

Mr. ANSLINGER. The budget allowed us just about what we asked for, but it was cut down in the House. Under these limiting amendments we would not have much more than we have right now.

The CHAIRMAN. The third point is that you simply do not have the force or the money to protect your witnesses between the time the case is made or the indictment is returned and the trial in the district court is instituted. Is that the situation?

Mr. ANSLINGER. In these important cases like the Sica case, we tried to protect our witnesses, but we just did not have the manpower. Where you have an important case like that I think the witness is entitled to protection. This man appeared before the grand jury, and it wasn't many weeks afterward that he was shot to death in his home.

The CHAIRMAN. You have had in addition to the cases you have mentioned here several other similar situations, have you not, Mr. Anslinger?

Mr. ANSLINGER. Yes, sir; a number of cases of that kind.

The CHAIRMAN. The fourth point is one which is very interesting. That is one of the things that I think our committee may be useful in, although such a list should be maintained by the executive enforcement officers. An over-all picture for the benefit of the enforcement officials of the Federal and State Governments would be of great benefit not only to you but to the State enforcement officers and to the other Federal enforcement agencies, would it not?

Mr. ANSLINGER. The efficacy of that list has been demonstrated so many times in our work abroad, and it has resulted in the apprehension of so many important racketeers, that if we could do that on a national scale with all racketeers I think it would be extremely beneficial.

The CHAIRMAN. Would such a list be made public?

Mr. ANSLINGER. No, sir. We distribute these lists only to certain police departments, State organizations, of course, nearly all of the Federal enforcement agencies. It is a list that should not be made public, but certainly the racket fellows should know that there is such a list and that they are on it.

The CHAIRMAN. Where, in your opinion, should such list be kept if you should compile it, Mr. Anslinger?

Mr. ANSLINGER. I prefer to let the committee make a recommendation on that.

The CHAIRMAN. Doesn't the FBI file generally contain all of this information? That is, does it not include other than things that they have jurisdiction of?

Mr. ANSLINGER. They have a master file of most all of these fellows. Certainly if they have been convicted, they are all in there with their fingerprints and photographs and their previous records. We call on the FBI for a lot of that information in making up our own lists.

The CHAIRMAN. Mr. Anslinger, would you care to give us any more information on the sources abroad of morphine and narcotics at the present time? You mentioned Peru, Istanbul, and Mexico.

Mr. ANSLINGER. There is a considerable amount of heroin coming in from Italian ports. I think that is a transit point for the heroin from Istanbul. The same thing can be said about French ports, Marseilles, and so forth. Those three countries are the major sources of supply. But the trouble is with the overproduction in Turkey and Iran, and there we hope to have this agreement signed at the next sessions of the Assembly of the United Nations. This is the first agreement of that kind we have been able to get. The United States Government has been working on this since 1909. So in December we finally got the producing nations on paper to agree to these allocations.

We have some trouble with opium coming from India, and the All-India Congress has taken action to try to bring down the so-called legitimate traffic in opium. For instance, in Bombay or Calcutta

there are some 500 or 600 opium shops where you can buy opium across the counter. It is used there mostly for eating purposes. We have been receiving a great deal of that opium here. That is not a major source, but as long as they maintain these shops and the seamen can go in and buy opium, 75 cents for three tolas, and get \$100 for it in New York, we are going to have smuggling. At the United Nations it is a question that is up for discussion. It is on the agenda at every session. In fact, while India is to get about 6 percent of the total world's share of production, as long as they have this tremendous production in India we do not feel that they are entitled to it until they close these shops.

The situation in Siam is unhappy. It is the only country in the world today that still legalizes smoking opium. Through the efforts, I would say, of the Treasury Department mostly, all the rest of the countries have shut up their opium shops and have prohibited opium smoking and legalized over-the-counter sales.

The CHAIRMAN. Mr. Anslinger, do you wish to make any public statement about the activity or lack of activity at the present time?

Mr. ANSLINGER. I am not in any position to make any statement at this time.

The CHAIRMAN. Mr. Anslinger, you are very familiar, of course, with the names that customarily appear on the list of alleged big-time racketeers and gamblers. The people on those lists are not primarily operators in narcotics traffic. Do you find any names of people on those lists also on the list of those engaged in narcotics?

Mr. ANSLINGER. Oh, yes, we frequently find those men dipping into the narcotics traffic. The list that I think you refer to, the list of 800 known racketeers in the so-called combine, we have already sent to the penitentiary about 200 of those 800 listed.

The CHAIRMAN. That list of 800 contains the names of racketeers well known in other kinds of business, other than narcotics?

Mr. ANSLINGER. Yes, sir.

The CHAIRMAN. I think that is all.

Mr. HALLEY. You probably will be gratified to know that already that list of 800 has served a very valuable purpose in connecting up names and activities in the committee's preliminary investigations. Your compilation actually works. I have only one question. Would you care to say anything about the form in which the organized criminal activities about which you have talked take place? Is there anything you can say about the structure of the organization, whether it is a loose-knit organization or a tight-knit one? I know you cannot say too much, but can you publicly give any idea as to the nature of any Nation-wide criminal organization that you might have in mind?

Mr. ANSLINGER. I would say that all of the members of this combine are very well acquainted with everybody else throughout the country. The fellows in New York, Florida, California, all know each other. Seizing their telephone lists, they are all on there, you find. It is interlaced, and intertwined.

Mr. HALLEY. Do the activities in one part of the country occur as a result of instructions given in other parts of the country?

Mr. ANSLINGER. No; I do not think it works on that basis. In some sections it is pretty well organized in that particular way, but I wouldn't say that one section of the country controls another section.

Mr. HALLEY. Do they confer together?

Mr. ANSLINGER. They confer together, oh, yes; talk to each other, deal with each other.

Mr. HALLEY. They confine their dealings pretty well to the family; is that correct?

Mr. ANSLINGER. That has been our experience. They have offshoots. They have associates in other rackets. They make connections for persons outside of their own combine.

Mr. HALLEY. When you say that 200 of these 800 names you mentioned have been convicted, do you mean they have been convicted for narcotics violations?

Mr. ANSLINGER. Two hundred of them have been convicted.

Mr. HALLEY. The entire group, I understand, include crimes of all kinds.

Mr. ANSLINGER. Of all kinds. Naturally, the other 600 that we have not apprehended are all considered by us to be narcotics suspects.

Mr. HALLEY. You have given an example of people who have been murdered after testifying or cooperating with the law. Is that to convey the impression that this group enforces its decisions by violence?

Mr. ANSLINGER. Unquestionably.

Mr. HALLEY. Thank you.

The CHAIRMAN. Mr. Anslinger, we asked you in executive session to release to the public your idea about the size of the narcotics traffic in the United States today and also the number of nonmedical addicts. What is your estimate of the size of the narcotics traffic in the United States?

Mr. ANSLINGER. From recent surveys that we have made—and we think they can be confirmed, and we are rather conservative about this—1 nonmedical addict to every 3,000 of the population, and that is a reduction over a number of years from 1 in every 1,000. I might point out that during the First World War in the age group about 18 to 38, the Army gets all of them, and they rejected 1 out of every 1,500 for drug addiction. In the Second World War in that age group the rejections were 1 in every 10,000, which is a much better figure than the one that I have given you about 1 addict in every 3,000 of the general population.

The CHAIRMAN. That would be 50,000.

Mr. ANSLINGER. Roughly 50,000.

The CHAIRMAN. Can you give an estimate of the amount of money involved in this traffic?

Mr. ANSLINGER. That is very difficult because I would say in half of the traffic they get their narcotics by diversion through forged prescriptions and robbing drug stores. We have about 130 drug-store robberies a month. We catch up with a lot of these robbers and send them to the penitentiary. In this district here, about five States, a couple of years ago we sent as many as 25 of the robbers to the penitentiary. So I would say half of the traffic gets narcotics by forging prescriptions, stealing from doctors, and other forms of diversion. The other half that get their stuff through smuggled sources, sometimes the adulteration runs very, very high in some areas. Close to the seaboard adulteration now is not running so high because heroin is rather plentiful at this time.

The CHAIRMAN. Mr. Harney, do you have anything you want to add to Mr. Anslinger's testimony?

Mr. HARNEY. No, thank you.

The CHAIRMAN. Thank you very much, Mr. Anslinger.

Mr. FOLEY. Mr. Chairman, I would like to call Mr. U. E. Baughman, the Chief of the United States Secret Service as our next witness.

TESTIMONY OF U. E. BAUGHMAN, CHIEF, UNITED STATES SECRET SERVICE

The CHAIRMAN. Mr. Baughman, we appreciate your appearance here today. First, Mr. Baughman, how long have you been the head of the United States Secret Service?

Mr. BAUGHMAN. Just about a year and a half, Mr. Chairman.

The CHAIRMAN. Prior to that time you were in the Service?

Mr. BAUGHMAN. I have been in the Secret Service just about 22½ years.

The CHAIRMAN. Very well, Mr. Baughman, you may proceed with your statement.

Mr. BAUGHMAN. Mr. Chairman, the major duties of the United States Secret Service are (1) protection of the President and members of his family, (2) the suppression of counterfeiting, and (3) the suppression of the forgery and fraudulent negotiation of Government checks, bonds, and other obligations of the United States.

The crime of counterfeiting has increased rapidly during the past 2 years, both at home and abroad. For the period July 1, 1949, to May 31, 1950, the Secret Service seized \$1,222,317 in counterfeit bills and coins, received 1,329 counterfeiting cases for investigation, and arrested 514 persons for counterfeiting offenses.

The counterfeiting of United States currency is not only Nation-wide, but is also rapidly becoming world-wide and is increasing daily. Occasionally we find that major counterfeiting operations are conducted on what might be termed a syndicate basis, but in general the fact is that most counterfeiting plants are run by small independent groups. A typical group would consist of an engraver, a printer, and perhaps a financial backer or backers, and one or more distributors. The engraver and printer produce counterfeit plates and notes which are delivered to the distributors who, in turn, sell the counterfeits to the actual passers. Rarely if ever do the individual passers know the identities of any principals except for the distributors with whom they do business.

Frequently we find that currency counterfeiters are also implicated in other major criminal enterprises, such as the narcotic traffic, the production and distribution of bogus lottery and sweepstakes tickets, the counterfeiting of internal-revenue stamps and the sale or purchase of bootleg liquor. Another widespread illicit business during the late war was the wholesale counterfeiting of ration stamps for food, gasoline, and other commodities, and our experience has proven that many of those who engaged in ration-stamp counterfeiting have lately turned to the counterfeiting of currency.

A good example is found in a major case just completed in Buffalo, N. Y. During several months of intensive investigation and undercover work, Secret Service agents arrested 14 principals and 62 others involved to a lesser degree, and seized a counterfeiting plant responsible for the production of \$800,000 in counterfeit United States cur-

rency and \$500,000 in bogus Canadian currency. In addition, agents seized sweepstakes and lottery tickets, counterfeit postage stamps, and established that several of the offenders were among the largest distributors of counterfeit OPA ration stamps during the war. This case had its inception in Los Angeles, Calif., spread to New York City and culminated in Buffalo, and the counterfeit bills produced by the group were passed in most of the 48 States. The counterfeits were very deceptive and purported to be issued on all 12 of the Federal Reserve banks. At least two of the principals in this case were active in the narcotic traffic between the United States and Canada.

Another case involving the widespread circulation of counterfeit \$20 notes also illustrates the potential value of counterfeit United States currency abroad. Secret Service undercover agents arrested a known criminal in Georgia and seized \$142,000 in counterfeit \$20 bills which the defendant had planned to send abroad by merchant seamen, who would use the counterfeits to buy narcotics, diamonds, and jewelry in the black markets, to be smuggled into the United States. The European black markets provide excellent outlets for bogus American money, much of which is manufactured in Europe.

Recently here at home the Secret Service uncovered a ring of automobile thieves, while investigating a \$100,000 counterfeiting case on the eastern seaboard. A principal in the counterfeiting case was arrested in Florida and found to be carrying a quantity of New Jersey automobile registration blanks, which he had bought for \$2,000 from another defendant in New Jersey. As a result, New Jersey authorities arrested about 30 persons for stealing automobiles and fraudulently registering them with the stolen certificates.

These cases are merely brief illustrations of the fact that counterfeits are often active in other criminal fields. There are more such cases in the Secret Service files, many relating to other organized crimes. For example, a few years ago the Secret Service, the Customs Bureau and the Royal Canadian Mounted Police combined to break up a gang of international gold thieves and smugglers. The 3-year investigation resulted in the arrest and conviction of five men in Buffalo, N. Y., and five others in Toronto, Canada, and revealed that they had stolen, sold, and smuggled gold worth \$3,000,000 during the 3-year period. This was an organized criminal venture which involved refiners, "fences," smugglers, and distributors, in Canada and the United States.

Another major enforcement problem of the Secret Service is the forgery and fraudulent negotiation of Government checks and bonds. Frequently the Secret Service arrests organized gangs of check thieves and forgers, but as a rule these groups operate locally and not on a national scale. Occasionally, however, their operations might extend into several States. About a year ago our agents arrested two men and a woman who had robbed safes in high schools from coast to coast, stealing large numbers of savings bonds which they forged and cashed before we caught them in California.

When counterfeiting is rampant, the Secret Service is seriously handicapped in the investigation of forged checks and bonds because it becomes necessary to divert many agents who would normally be available to investigate forgery cases. Unfortunately, the present force of the Secret Service is not commensurate with the work it is

required to do. Actually there are less than 200 agents available to cope with the criminal and noncriminal investigations now on hand and those received daily. A brief account of these investigations will demonstrate the enormous task faced by these agents. From July 1, 1949, to May 31, 1950, the Secret Service received for investigation 35,730 forged checks and bonds. On May 31 there were 17,959 cases still pending. During those 11 months our agents arrested 2,235 persons for forgery. All this is in addition to the heavy load of counterfeiting cases which I mentioned earlier, and the backlog of pending cases represents more than 100 cases per agent. Last year our agents contributed more than 81,000 hours of voluntary uncompensated overtime and forfeited considerable annual leave in a conscientious effort to reduce the terrific case load.

It is interesting to note that James V. Bennett, Director of the Federal Bureau of Prisons, recently declared that forgers of Government checks now represent one of the largest segments of the population of Federal penitentiaries, which gives some indication of the accomplishments of the Secret Service in this enforcement field. At the same time, our field force is overworked and undermanned.

The largest office of the Secret Service in New York City has but 18 agents, with more than 3,000 cases awaiting investigation, averaging about 180 cases per agent. If all 18 were available for duty every day, taking no annual or sick leave, and if each closed an average of 15 cases per month, within 1 year they could close only the cases on hand without taking into account the more than 500 cases received monthly by that office. These figures do not fully reflect our problems in that one office. New York has always been a center of counterfeiting activity, and frequently there are several major counterfeiting cases requiring investigation at one time. Counterfeiting investigations require weeks and sometimes months of surveillance, and when at any one time there are four counterfeiting suspects to cover, which is not unusual, all the agents in the New York office, working 7 days a week, would not be adequate to maintain surveillance over the suspects even though all other investigations received no attention. This situation is typical of that in many other offices of the Secret Service.

With the continued upsurge in counterfeiting and the constant flow of forgery cases, the biggest problem of the Secret Service is its shortage of agents. With an adequate number of men I am sure we could keep counterfeiting at a minimum, reduce the tremendous accumulation of forgery cases, and keep reasonably current with the thousands of new cases we receive monthly, which is impossible with our present force.

The CHAIRMAN. Mr. Baughman, you say you now have about 200 agents available to cope with your investigations on hand. Is that correct?

Mr. BAUGHMAN. Yes.

The CHAIRMAN. How many did you have in 1939, in the prewar days, or in 1940?

Mr. BAUGHMAN. Two hundred and thirty-two agents in 1940, and we have 176 agents now in the field to work on counterfeiting, forgery, and other types of criminal and noncriminal cases.

The CHAIRMAN. So you had more agents in 1940 than you have now.

Mr. BAUGHMAN. That is correct, Senator.

The CHAIRMAN. Yet you say that as a result of rationing and for other reasons, counterfeiting is on the upsurge and has greatly increased during the last few years.

Mr. BAUGHMAN. That is correct. In 1945 our check load increased. It doubled itself from approximately 20,000 to 40,000.

The CHAIRMAN. By 1945 it was double over what it was in what period?

Mr. BAUGHMAN. Over the previous year.

The CHAIRMAN. What is your workload today compared with your workload in 1940, at which time you had a few more agents than you have at the present time?

Mr. BAUGHMAN. We have today approximately 19,000 cases on hand. In 1940 we used to run four or five thousand cases a year, that is, pending.

The CHAIRMAN. In other words, it is four or five times as great today as it was in 1940, in number of cases.

Mr. BAUGHMAN. That is correct.

The CHAIRMAN. Among these counterfeiters and people dealing in counterfeit money, do you find some of the same people involved in counterfeiting and things relating to counterfeiting that you find involved in gambling transactions of an interstate character or in narcotics? That is, are some of the names in all these activities the same?

Mr. BAUGHMAN. Not to any extent, to the so-called big-time gamblers, the names you hear about or read about. There has been information received at times that they have been suspected as the financial backers of certain counterfeit plants, but investigation has never revealed that that is actually so.

The CHAIRMAN. Thank you very much, Mr. Baughman. We appreciate your cooperation.

Mr. FOLEY. Mr. Chairman, I would like to call Mr. Strubinger, the Assistant Commissioner of Customs, as our next witness.

TESTIMONY OF DAVID B. STRUBINGER, ASSISTANT COMMISSIONER OF CUSTOMS, ACCOMPANIED BY CHESTER A. EMERICK, DEPUTY COMMISSIONER OF ENFORCEMENT, BUREAU OF CUSTOMS

The CHAIRMAN. All right, Mr. Strubinger. How long have you been the Assistant Commissioner of Customs?

Mr. STRUBINGER. About 11 months.

The CHAIRMAN. How long have you been in the customs service?

Mr. STRUBINGER. I have been in the customs service since 1939. Prior to that I was in the Internal Revenue Service for about 16 years. I have had about 29 years' service in the Treasury Department.

The CHAIRMAN. Who is the gentleman appearing with you?

Mr. STRUBINGER. Mr. Chester A. Emerick, the Deputy Commissioner of Enforcement.

Mr. Chairman and members of the committee, the Commissioner, Mr. Frank Dow, has asked me to present the statement of the Bureau of Customs as he is unable to appear personally because of previous commitments.

Included in the principal functions of the Bureau of Customs is the prevention of smuggling and the apprehension of persons engaged in the smuggling of merchandise into and out of the United States in violation of customs laws, Export Control Act, the Neutrality Act, and the Atomic Energy Act.

MEANS EMPLOYED TO COMBAT SMUGGLING OPERATIONS

Customs searching squads are maintained at all principal seaports for the purpose of searching vessels for unmanifested merchandise, particular attention being given to smuggled narcotics. To assist in the apprehension of smugglers, suspect lists are maintained at seaports, border ports, and airports, of entry of crew members as well as others suspected of being engaged in smuggling. Crew lists and passenger lists are checked immediately upon arrival of vessels, vehicles, or aircraft for suspects and if their arrival is noted they are given special attention.

The Bureau of Customs employs approximately 2,500 customs inspectors at the various customs ports throughout the United States, who perform inspectional duties in connection with the arrival of passengers and merchandise. The Bureau also employs 800 customs port patrol officers, who are engaged in the searching of incoming or departing vessels, vehicles, aircraft, and trains. These port patrol officers also are assigned to guard duty of suspected vessels and to patrol duties at ports of their assignment.

In addition to the customs inspectors and port patrol officers performing duties as above indicated, there are about 200 customs agents who are assigned to criminal investigations. They investigate cases relating to smuggling in or out of the country in violation of the customs laws, Export Control Act, Neutrality Act, and violations of navigation laws.

In combating smuggling operations the use of paid informers has been quite effective. This is especially true on the Mexican border where the distances make it impossible to effectively guard the international boundary without the assistance furnished by informers. Mexico is the chief source of marihuana smuggling into the United States and also a source of opium, heroin, and morphine. Every known means are employed to prevent and apprehend persons engaged in the marihuana and narcotic traffic, both on the borders as well as other ports of entry into the United States.

At many of the larger ports of entry customs port patrol officers operate from radio-equipped automobiles. Radio equipment, especially the walkie-talkie type, has been used with excellent results in the Mexican border.

To further combat smuggling operations mobile searching squads have been set up at strategic points along the Atlantic and Gulf coasts so that even the smaller ports have some protection.

SMUGGLING OF NARCOTICS

Most smuggled narcotics originate in the Orient, Europe, the Near East, and Mexico. Most of the marihuana consumed in the United States originates in Mexico. Seizures in marihuana in amounts varying from a few ounces to more than 100 pounds have been made on the Mexican border during recent months by customs officers.

Prior to World War II smoking opium was almost invariably smuggled into the United States at Pacific coast ports with smaller quantities arriving elsewhere from the Far East. Subsequent to World War II smoking opium made its appearance in Mexico and since that time several large seizures of smoking opium manufactured in Mexico have been made along and adjacent to the Mexican border. The smuggling of cocaine has also been increasing during the last 2 or 3 years. Substantial seizures of cocaine have been made at New York, Charleston, S. C., and Miami, Fla., which is believed to have its origin in Peru. The cocaine when seized was being smuggled into the United States either by crew members or by passengers or seized from illicit dealers subsequent to its illegal importation. Heroin, a derivative of morphine, has been seized in smaller quantities at various places on the Mexican border, as well as at a few of the seaports of the United States.

In this connection it is noteworthy that customs seizures of narcotics and marihuana have been increasing tremendously during the last 5 years. As an example, in 1946, 11,531 ounces of marihuana were seized; in 1947, 15,562 ounces of marihuana were seized; in 1948, 24,732 ounces of marihuana were seized, and in 1949 there were 38,086 ounces of marihuana seized.

Mr. Chairman, with your permission I would like to depart from the text a little bit and give you some data on the fatalities suffered by enforcement officers.

The CHAIRMAN. All right, sir.

Mr. STRUBINGER. The suppression of smuggling has taken a large toll of enforcement officers. In the last 20 years 12 of our officers have been killed by smugglers, 6 more were killed while pursuing smugglers, and an additional 25 have suffered gunshot wounds. This is just an indication of the vicious type of criminal we deal with in going after smugglers.

The CHAIRMAN. While you are discussing the increase in the amount of marihuana traffic, what percentage of the marihuana that is intended for this country actually gets seized? Of course you do not get it all. That would be a very difficult question, I am sure, but I am trying to get at the increase in consumption or the use of marihuana in the United States.

Mr. STRUBINGER. We are hopeful that we are seizing the majority of it. Actually we have no means of knowing. The thing that worries us of course is that our seizures are getting larger and larger all the time and we know we do not get it all. It is difficult to make a guess at how much is getting by, but as I say, since we are making larger and larger seizures, the inference is that a lot of it is getting by.

The CHAIRMAN. I see. You may proceed.

Mr. STRUBINGER. In order to further combat the smuggling of marihuana and narcotics as indicated above, the Secretary is recommending that funds be provided to employ additional customs personnel at strategic points.

METHODS EMPLOYED IN THE SMUGGLING OF NARCOTICS

Narcotic smuggling operations on the seacoast of the United States are carried on by crew members of vessels as well as by passengers. Narcotics are landed usually by concealment on the smuggler's person.

On occasions narcotics are thrown overboard while the vessel is proceeding to a dock and are picked up by confederates. Narcotics have also been landed by concealment in ship's laundry or other equipment being placed ashore. The use of false compartments in baggage by narcotic smugglers is also quite common. As a matter of fact every conceivable method is employed by the smuggler to evade detection.

On the Mexican border narcotics and marihuana are smuggled either by means of carrying the narcotics across the international border and later being placed in an automobile for transportation to destination, or by means of concealment in an automobile and attempting to cross the border in the hope of avoiding detection or by crossing at a place other than a customs port of entry. If the smuggling operation is successful the marihuana and narcotics are then delivered to large centers of population throughout the United States where they enter the illicit traffic, thereby adding to the problems of the Bureau of Narcotics.

Reports have been received from time to time of the use of aircraft in the smuggling of narcotics and other merchandise across the international borders. Even as early as the prohibition era aircraft were used extensively in the smuggling of liquor from Mexico and Canada into the United States and there is no question but what the same means are being employed today in carrying out smuggling operations. When this country completes its radar screen it, no doubt, will make it much more difficult to use aircraft in smuggling merchandise and aliens into the United States, if not preventing such use entirely.

COOPERATION WITH OFFICERS OF THE BUREAU OF NARCOTICS

Information secured by narcotic agents and customs agents relative to smuggled narcotics on board arriving vessels is transmitted to collectors of customs concerned and joint operations are then carried on by the investigative units and collectors' personnel to effect seizures of narcotics and arrests of persons involved in the smuggling operations. Officers of the Bureau of Customs and Bureau of Narcotics often operate jointly in conducting investigations. These investigations involve not only the smuggling of narcotics into the United States but, on occasions, their distribution in this country.

COOPERATION RECEIVED FROM MEXICAN AUTHORITIES

Customs officers stationed along the Mexican border receive the assistance and cooperation of Mexican authorities in the suppression of smuggling, especially the smuggling of narcotics. An effort has been made by Mexican authorities to stamp out the cultivation of marihuana and opium poppies. Numerous fields of poppies and marihuana have been destroyed by those officials. In spite of this assistance the traffic in narcotics and especially marihuana on the Mexican border continues. The profit element is so great that the smugglers will run the risk of apprehension, imprisonment, and confiscation of their automobiles and narcotics.

The CHAIRMAN. Mr. Strubinger, what is the situation about the domestic production? Do you not have some fields of poppies and marihuana in the United States?

Mr. STRUBINGER. Mr. Chairman, that is really the responsibility of the Bureau of Narcotics. I think they would know more about that than I do. We really do not concern ourselves too much about what happens after it gets in the United States unless it is a result of something that we feel was a smuggling operation.

The CHAIRMAN. Thank you very much, Mr. Strubinger.

Mr. STRUBINGER. Yes, sir.

The CHAIRMAN. Mr. Emerick, do you have anything to add?

Mr. EMERICK. No, thank you, sir.

Mr. FOLEY. I think, Mr. Chairman, Mr. Anslinger probably could give you some enlightenment on that question if you want to call him.

The CHAIRMAN. Mr. Anslinger, I think the committee would be interested in that. You said something about it when we had an executive hearing. Is there any public statement you could make about the domestic production of marihuana?

Mr. ANSLINGER. There is a legitimate production of Indian hemp, which is one name for marihuana, in Minnesota and Wisconsin. There is a hemp industry there which is flourishing. During the war it was necessary to put up about 49 plants in 5 States. We were able to convince the agency that established those plants to keep them confined in that hemp-producing area. Iowa, Illinois, Wisconsin, Minnesota, and Indiana had some production. These producers are registered under the Marihuana Tax Act.

In Kentucky, where the seed is grown, where they have the long summer, we expect to have about 1,000 registrants there, and we had some 3,000 producers.

The CHAIRMAN. How many now?

Mr. ANSLINGER. About three thousand producers of hemp seed during the war. That has been materially reduced since the war because hemp production has gone down considerably.

There isn't very much diversion from those hemp fields. Occasionally a truck will move in at night, and the farmer will discover it in the morning and report it to the authorities. Generally we do not have much trouble in that area because the farmers are very alert and are very quick to report any suspicious characters to the local sheriff, and the sheriffs are all on the job in those territories where there is production.

We have had some so-called illicit production in the East, in Florida, through some of the Southern States. We have just about eradicated all of the illicit hemp production in this part of the country, the New England States.

The CHAIRMAN. Do you have some fields in New Hampshire that you destroyed at one time?

Mr. ANSLINGER. Some time ago, yes, the local authorities informed us of a field up there, some considerable production, and we managed to eradicate that. It is rather difficult because the plant reseeds itself. Every year you get a new crop coming up. In some places where there was illicit production the grower would plant it inside a cornfield. Very soon the plants, which reach 15 or 16 feet in height in about 3 months, would be discovered. In the Middle West we had very good assistance from the WPA squads, particularly in Kansas, Nebraska, and that area. They did excellent work in destroying the voluntary growth. There is still a lot of that voluntary growth in States where there was production for legitimate purposes. It is

not grown any longer for medicinal purposes. It has disappeared from the Pharmacopoeia. Its medical use was always questionable. I think the fact that we have eradicated all of this hemp—incidentally, we never got a dollar additional appropriation to do it, but the Alcohol Tax Unit helped us out in many sections of the country. It did excellent work where we didn't have the manpower. That is the reason we are getting this increased smuggling from Mexico, and we have called the attention of the Mexican Government to this condition. I think if they exert the same effort, which they are trying to do, that they have exerted with respect to opium, I think you will find a cessation or some diminution of smuggling activities. We do get some hemp in the form of hashish from the Near East. There is some smuggling, not very much, some from South Africa. In three places, French Morocco, French Tunisia, and India, it is sold across the counter as hashish. We get some of that smuggling. But we have just about taken care of most of the illicit production except in the Middle Western States where you have that voluntary growth.

The CHAIRMAN. So the domestic production is not one of your great problems.

Thank you, Mr. Anslinger.

Mr. FOLEY. Mr. Chairman, as our last witness I would like to call Mr. James Maloney, the chief coordinator of Treasury law enforcement.

TESTIMONY OF JAMES J. MALONEY, CHIEF COORDINATOR, TREASURY ENFORCEMENT AGENCIES

The CHAIRMAN. Will you come around, Mr. Maloney. Mr. Maloney, you have had a long and, I am sure, distinguished career with the Treasury Department. Will you tell us what your experience has been? How long have you been with the Department?

Mr. MALONEY. I have been 30 years in police work. I have been with the Treasury Department 20 years of that.

The CHAIRMAN. How long have you been the chief coordinator of the Treasury enforcement agencies?

Mr. MALONEY. Approximately 2 years.

The CHAIRMAN. All right, Mr. Maloney, you may proceed.

Mr. MALONEY. Mr. Chairman, the coordination of Treasury law-enforcement agencies was established in 1934. The purpose at that time was to coordinate the various Treasury activities for the suppression and prevention of smuggling. This was necessitated because of the persistence of a "Rum Row" for smuggling liquor off our shores following the repeal of prohibition. The purpose was to put an end to the illegal importation of intoxicating liquors and narcotics.

In 1936 the Secretary issued instructions extending the scope of the coordination system to include all criminal investigations of whatever character for which the Treasury Department is responsible, and which require cooperation of other Federal or law-enforcement agencies. To head up this coordination program an experienced Treasury enforcement officer was designated as Chief Coordinator. The Treasury enforcement agencies are the Alcohol Tax Unit and Intelligence Unit of the Bureau of Internal Revenue, the Bureau of Customs, the Bureau of Narcotics, United States Secret Service, and the Intelligence and Law Enforcement Division of the United States Coast Guard.

Regular meetings are held in Washington of the supervisory heads of the law-enforcement units, presided over by Under Secretary Foley.

The field is divided into 15 districts, and a supervisory officer of one of the agencies is appointed as district coordinator in addition to his regular duties. These positions are rotated. The district coordinators hold monthly meetings, and coordinate their common problems. Following each of the field coordination meetings reports are furnished to the Chief Coordinator's office, reviewed, and a digest is prepared for the Under Secretary, who has direct supervision over the Office of the Chief Coordinator.

This coordination of effort is not theoretical or imaginary, but a practical, workable, and a very real type of cooperation which works against the criminal from many different angles. The coordination of activities includes, but is not limited to, better utilization of manpower, use of airplanes for spotting criminal activities, use of cars equipped with two-way radios, the coordination of some 30 well-equipped laboratories manned by skilled technicians, who are able to make any determination desired by the law-enforcement agencies, including chemical and physical tests, as well as the examination of questioned documents.

The results of this program have been highly gratifying. A difficult problem for any one of the services immediately becomes a problem for all the services in the country or in the district. A fugitive from one service immediately becomes a fugitive from all other services.

The training of the officers of the Treasury enforcement agencies is also under the direction of the Chief Coordinator. This training was first inaugurated in 1937. Courses are prescribed, classes held, and the latest developments in techniques of criminal investigation brought to the attention of the officers, as well as the proper and legal methods which should be used in their investigations. With respect to the latter activity, a comprehensive course on the subjects of search and seizure, arrest, conspiracy, evidence, and court procedure is given. There have been 459 schools, and approximately 10,000 employees in attendance.

The marksmanship training program for all the officers of the enforcement agencies, as well as the Treasury guards and White House Police, is directed by the Office of the Chief Coordinator. The qualification requirements, promulgation of safety rules and regulations, holding of competitive matches, awards of medals and certificates, and all other matters pertaining to the program are directed by the Chief Coordinator.

THE CHAIRMAN. Mr. Maloney, in other words, if Mr. Anslinger has some information which does not directly relate to the work of the Bureau of which he is Commissioner but which would be of value to one of the other bureaus, then that is handled through the Coordinator's office?

MR. MALONEY. Not necessarily, Mr. Chairman. In the field they get together out there in groups once a month, and they get so they work not only at the monthly meeting but every day. It develops into a one-family transfer of information freely. However, if it is something that would be of common interest to the department heads it becomes the subject of a meeting in Washington.

THE CHAIRMAN. I did not mean information would be passed from one department head to the other, but both the department heads and

the agencies' units in the field coordinate their work and pass information from one agency to the other which would be of help and interest to them.

Mr. MALONEY. And when there is a fugitive from one agency, they transfer that information to the other agencies.

The CHAIRMAN. I should think that would be a very useful operation of all the agencies under Treasury and I am sure it has been.

Mr. HALLEY. I have no questions.

The CHAIRMAN. Mr. Foley, in that connection what has been done and what could be done not only to coordinate all of the bureaus of the Treasury Department so that the men in one bureau can have the pertinent information that would be helpful to them in another bureau, but what steps are being taken to coordinate the information in the Treasury Department with the Justice Department or other departments that might have an interest in that information? Or would a program of that sort be feasible?

Mr. FOLEY. I think a program of that sort is feasible, Mr. Chairman. Certainly in our own department we have found that the technique of coordination insofar as these six law enforcement bureaus are concerned that come under our supervision is most helpful. When one agency has men in an area where a problem arises and another agency might be short of manpower in that area, it is always easy through the Coordinator to develop cooperation and obtain assistance for the weaker of the agencies in that particular part of the country.

On the interdepartmental level we have a very good working relationship, of course, with the Department of Justice. The Attorney General and the assistant to the Attorney General, the Assistant General in charge of the Criminal Division, and the Assistant Attorney General in charge of the Tax Division all of course come very closely in contact with me and with Secretary Snyder and with our general counsel and with other people in the Department working in this field. Whether or not more could be done in that connection I am not in a position to say. I do know that when we have interdepartmental problems we always have the active help and cooperation of the Attorney General and his people, and the same thing applies in the Post Office and in the other departments that have investigating forces.

The CHAIRMAN. We have the Department of the Treasury and the Attorney General, which includes, of course, the Immigration and Naturalization Service. We have the Post Office Department, which has an inspection group. Then the Central Intelligence Agency—the CIA—might have information from time to time which would be of use to other departments. The intelligence services of the Army, the Navy, and the Air Force. What other departments make investigations?

Mr. FOLEY. The Securities and Exchange Commission has corporate financial information that it obtains through its work. The Federal Communications Commission has information that it gets in connection with applications that are made to it for licenses.

The CHAIRMAN. The Federal Deposit Insurance Corporation?

Mr. FOLEY. The banking agencies—the Comptroller of the Currency and the Treasury Department, the FDIC and the Federal Reserve Board—all have visitorial powers and are in a position to obtain financial information which is exchanged for mutual benefit. I think that about covers it. Can you think of any additional agencies?

Mr. MALONEY. No other agencies charged with the enforcement of criminal statutes.

I might say, Mr. Foley, that the Treasury is very closely related to practically every agency you have mentioned there, and every day and every week we cooperate together very closely through our office.

Mr. FOLEY. Mr. Maloney represents the Department on Interdepartmental Committees that have overlapping functions in connection with investigative work.

The CHAIRMAN. If it were possible to formalize the correlation or the working together between the departments as well as it is among these agencies of your Department, it might be of some assistance and some help, Mr. Foley.

Mr. FOLEY. I think some attention could be given to that.

The CHAIRMAN. Particularly as to big-time gamblers or racketeers that our committee might be interested in, if there were some central coordination where information from each agency pertaining to those people could be assembled and gathered for the use of all agencies, that might give all of you a better picture of what those people are doing.

Mr. FOLEY. I think that is what Mr. Anslinger had in mind perhaps when he was talking about a central clearing point for lists and information.

The CHAIRMAN. Did not Attorney General Clark sponsor at least some small effort in that direction between the Department of Justice and the Treasury Department sometime back?

Mr. FOLEY. We have worked closely with the Department of Justice when Attorney General Clark was the head of that Department and also under Attorney General McGrath.

The CHAIRMAN. Thank you, Mr. Foley.

Mr. FOLEY. Thank you very much.

The CHAIRMAN. Thank you, Mr. Maloney.

Mr. Foley, do you have any other witnesses to present?

Mr. FOLEY. No. That was our last witness that we had on our program. If you want to call on any of the other representatives of the Department that might be here, I am sure that they would be glad to volunteer any information.

Mr. Woolf, would you come forward, please.

TESTIMONY OF W. H. WOOLF, CHIEF, INTELLIGENCE UNIT, BUREAU OF INTERNAL REVENUE

The CHAIRMAN. Mr. Woolf, do you have any observations that would be of assistance to the committee? We have had several conferences with you which have always proved helpful.

Mr. WOOLF. You mean observations from my point of view or from your point of view?

The CHAIRMAN. We would be glad to have it both ways, Mr. Woolf.

Mr. WOOLF. It would appear that the cooperation of the various State officials would be extremely helpful. The so-called racketeers, gamblers, and so forth are, no doubt, well known to the State officials in their respective States, and these officials should be in a position to render valuable assistance in your undertakings. I would, therefore, vigorously seek the cooperation of the law-enforcement officers of the various States.

The CHAIRMAN. I think that is a very worth-while suggestion. Of course, we have taken steps to endeavor to get the cooperation of the law-enforcement officers of the various States, and I might say that most of them have expressed a willingness to come through with full cooperation.

Do you have any other suggestions from your point of view?

Mr. WOOLF. We are, of course, much interested in the work which is being done by your committee, and the Intelligence Unit, as well as the entire Bureau of Internal Revenue, is anxious to cooperate and assist in every way practicable. We are restricted to a certain extent in furnishing confidential information pertaining to tax matters, due to regulations, and so forth. However, plans are being worked out by members of your committee with Mr. Foley and other Department officials to carry out the instructions contained in Executive Order 10132, relating to the inspection of returns by your committee.

The CHAIRMAN. You have certainly cooperated fully with the committee, Mr. Woolf.

Mr. Foley, on behalf of the committee, I want to thank you and these officers who have come up to testify before this committee. The statements that have been presented show that they have spent a great deal of time in considering information which would be of use to the committee. I also want to express to you our deep appreciation for the fine and whole-hearted cooperation you have given us up to this point.

Mr. FOLEY. Thank you very much, Mr. Chairman. We shall do everything on our part to further the work of the committee as you go on.

The CHAIRMAN. The committee is now adjourned until further notice.

(Whereupon, at 4:10 p. m., the committee adjourned subject to the call of the Chair.)

INVESTIGATION OF ORGANIZED CRIME IN INTERSTATE COMMERCE

THURSDAY, JULY 6, 1950

UNITED STATES SENATE,
SPECIAL COMMITTEE TO INVESTIGATE,
ORGANIZED CRIME IN INTERSTATE COMMERCE,
Washington, D. C.

The committee met, pursuant to call of the chairman, at 11 a. m., in room G-16, the Capitol, Senator Estes Kefauver (chairman) presiding.

Present: Senators Kefauver, Hunt, and Wiley. Senator Thye.

Also present: Rudolph Halley, chief counsel; Harold G. Robinson, associate counsel; and Alfred Klein, assistant counsel.

The CHAIRMAN. The committee will come to order, please. The committee is delighted this morning to have with us Gov. Luther W. Youngdahl, distinguished Governor of the State of Minnesota, who will testify on a matter in which the committee is greatly interested. We are glad also to have Senator Thye, the senior Senator from the State of Minnesota, with the committee, and we will be very glad to have you introduce your distinguished Governor, Senator Thye.

Senator THYE. Mr. Chairman and other members of this committee, it is indeed a pleasure for me to sit with you here as a member of this committee this morning and also to introduce our distinguished Governor from the State of Minnesota. Gov. Luther W. Youngdahl has been recognized in Minnesota as a man willing to stop at nothing to fight for good government. The Governor has had 16 years on the judicial bench, resigning from the State supreme court as one of its associates to file for Governor, and as Governor of the State of Minnesota he has a record most commendable. It is a pleasure for me this morning to introduce to you, sir, Governor Youngdahl, of Minnesota.

The CHAIRMAN. Governor Youngdahl, will you come around? The Chair wishes to say I have had the pleasure of serving in the House of Representatives with your brother, now deceased, and I always enjoyed knowing and serving with him.

Governor, will you hold up your hand and swear the testimony you will give this committee will be the whole truth and nothing but the truth, so help you God?

Governor YOUNGDAHL. I do.

TESTIMONY OF HON. LUTHER W. YOUNGDAHL, GOVERNOR OF THE STATE OF MINNESOTA

The CHAIRMAN. You may proceed, sir.

Governor YOUNGDAHL. Senator Kefauver, Senator Thye, and ladies and gentlemen, if it is agreeable to you, Senator, I will read for the

record my statement and then I would like to discuss informally several propositions in connection with this problem, if it is agreeable to you, and answer any questions which I may be able to answer relating to the Minnesota problem.

Senator Kefauver and members of the committee, at the outset I want to express my thanks for the opportunity to appear before your committee. I am glad to say that law-enforcement officers and citizens generally in our State appreciate the efforts you are making to expose and eliminate the gambling syndicates and other organized crime. I feel that legislation which now is pending or which may be advanced when you complete your study will be helpful in the fight against crime, as will the increased efforts of the Federal law-enforcement agencies. Cooperation of the Federal agencies is needed if our local and State law-enforcement agencies are to be completely successful. Organized crime has grown to such proportions, provided such opportunities for gain and acquired such power through political connections that many municipal and State governments find it difficult and in some cases impossible to dislodge the rackets. Even the most earnest of local law-enforcement officials can hardly be expected to deal adequately with the huge gambling and crime syndicates, whose operations are spread over many States and directed in most cases from some distant city.

Law enforcement formerly was largely a matter for the local government and essentially it still is in most respects a job for local governments. But as society has become more complex and the number of persons resorting to law violation for profit has increased, there has developed more and more need for the State and Federal Governments to take a strong hand in law enforcement to assist the local governments. Now, with the big crime syndicates grown to such power that in many places they have been able to thwart the efforts of local law enforcement officials and even in some cases challenge State governments, it is imperative that the Federal Government, both through legislation and administration, take a vigorous role in eradicating this growing menace. Only with Federal, State and local governments working together as a team can we hope to curb and eventually eliminate the big crime syndicates.

The case is not hopeless. We can win the fight against organized crime if we make a systematic effort to do so. We can stamp out the illegal rackets if (1) we seek consistently to fill our law-enforcement agencies with competent, honest and courageous men, (2) we give our enforcement officers adequate tools with which to work, (3) law-enforcement officers of all three levels of government work together in a coordinated attack on the racketeers and (4) the people see the seriousness of the menace in organized crime and corruption and support actively the officials who are trying to improve conditions.

I have been asked to give a report on our experience on one phase of this problem in Minnesota, that having to do with slot machines, for such value as it may be to your committee or others in preparing for a systematic attack on organized crime.

I long have believed that operation of slot machines should be wiped out. In my years on the bench, I had frequent opportunity to see the evil consequences that result from the racket. The lure of a possible jackpot induces many to play who can ill afford to do so and families

often have gone hungry or poorly clad as a result. I saw all this. I saw, worst of all, that children were playing the slot machines and that many, while acquiring the gambling habit, were losing respect for law and government. I saw operators of the machines reaching out, in my State and in other States, and, wherever possible, corrupting law-enforcement officers through bribery and other means to get permission to operate. I saw, as most investigators of organized crime have observed, that permitting the slot machines to operate soon leads to other forms of gambling and other forms of organized crime.

We had many laws on our books in Minnesota framed to prevent gambling. Operating slot machines under numerous opinions had been declared gambling. Yet slot machines were in wide use.

Shortly after I took the oath of office as Governor in January 1947, I found that, although we had many statutes prohibiting gambling, 5,058 operators of various types of businesses paid a Federal tax of \$100 each on 8,328 slot machines, classed by the Government as gaming devices, or gambling devices, for the fiscal year ending June 30, 1947. In other words, 5,058 firms or individuals were paying \$832,800 a year for the privilege of operating the machines. That many at least were running slot machines. How many more, if any, were running slot machines without payment of the Federal tax no one could say definitely.

I found from the Federal tax payments that there were only four counties among the 87 in Minnesota that showed no operators paying the \$100 tax which the Government requires. All the other counties had slot machines, the report indicated. Some of the counties had 10 to 15 slot machines for each 1,000 of population. In one county, there were 18 machines for each 1,000 of population, or one for every 55 persons.

No very general or vigorous effort was being made to enforce the laws against slot machines. Some of the law enforcement officers thought the machines were not doing too much harm and were rather hesitant about taking on new difficulties. Many who earnestly wanted to enforce the laws could not get the necessary cooperation from other law-enforcement officers or were discouraged by the inadequacy of the weapons furnished them. Said one sheriff:

I pinch two places for slot machines here in my county. The cases come up after many weeks, and the operators are fined \$100. Meanwhile, they go right on running, and before I can get them back before the courts again they have made so much money that the \$100 is only a drop in the bucket, nothing more, in fact, than a small business expense.

It seemed clear that the laws against gambling on our books, for one reason or another, had been ineffective. A stronger weapon would be needed, I decided, if we were to be successful in the effort to wipe out the slot machines.

After some study, I asked the legislature to pass a law requiring cancellation of business licenses for possession of slot machines and other gambling devices. Losing business licenses would constitute so great a threat, I reasoned, that a proprietor wouldn't dare to have the slot machines around. In other words, the desire for profit, which prompts a fellow to put in the slot machines, would be used to induce him to take them out. The penalty for possessing the machines, closing up his business, would entail such a loss that no man in his senses would consider it worthwhile to take the brief return from the slot machines.

In other words, we proposed to make possession of the machines unprofitable.

The proposal, as might be expected, started a veritable storm. Persons profiting from the machines descended upon the legislature en masse and sought by every device to kill the bill or draw its teeth.

I decided to carry the fight to the people. I wanted to get the measure passed, but I wanted even more to see if the people generally would support a constructive move of this character when presented with the facts. I arranged for two radio networks of 15 stations and twice a week reported to the people the progress of legislation on this bill.

I said to the people: "This is a fight to protect the earnings of families. It is a fight for the welfare of youth. It is a fight to give boys and girls a decent environment. It is a fight to maintain respect for law. How can we expect our young people to grow up respecting law and government if officials, sworn to uphold the law, allow rackets like this to run without interference?"

Parents, school teachers, and citizens generally soon began to rally in our support.

Thanks for your efforts for the slot machine bill,
wrote one teacher.

Children in many towns are being encouraged to throw away their last nickels on these machines. Not long ago, a fourth grader in my school stole \$20 to get money to play the machines. Keep up the fight against the machines.

A mother wrote:

Thank you for trying to make Minnesota a better and cleaner place in which to bring up our children.

A miner wrote:

I work hard for my money. I hate to see those slot machines take away so many people's hard earned money. I want to thank you for what you are doing.

A newspaper poll showed that 70 percent of the people, 76 percent in farming communities, 77 percent of the women, favored the proposal advanced.

By the way, just a month ago the most recent poll showed the greatest percentage of people since this campaign commenced favoring the elimination of slot machines, some 73 percent of the people of Minnesota, showing increasing support for this program after it had been in operation for several years.

Impressed, the legislators passed the slot-machine bill by a big majority, 98 to 9 in the house and 58 to 0 in the senate.

Most of the machines vanished overnight.

I called a meeting of law-enforcement officers and officials in the State when our 1947 legislative session was over, explained our plans and purposes and indicated that I expected all enforcement officers to enforce the law uniformly. With that the few remaining slot machines quickly disappeared. Our State has been free of the one-armed bandits since. A few attempts have been made to evade the law, but we have been able to thwart such efforts.

Our whole law-enforcement problem has been eased and conditions have been improved in community after community since the slot machines were driven out. We have been able to get these results, I think, partly because we insisted at the outset that we would do every-

thing possible to have the laws enforced and partly because the new slot-machine law provided an effective weapon with which to combat this racket. A will on the part of law-enforcement officers to enforce the laws is essential, whether we are working with new weapons or old laws.

I have reported in some detail our experience in Minnesota, for our State is fairly typical of many of the States, and our experience may be helpful in considering problems of the other States. Law enforcement is a big subject and embraces vast complexities, as you gentlemen know only too well, and I will not attempt to map out a program and say, "this is what we need." I will make only a few, mostly rather general, suggestions growing out of our experience.

I feel that increased efforts are needed to obtain and retain competent, honest and courageous law-enforcement officers, particularly in the local governments, where so much of our law-enforcement work naturally centers, and in the State agencies having to do with law enforcement. I think that we should consider whether or not there isn't need for providing greater compensation for workers in many fields of law enforcement and endeavor, through cooperation of the State and local agencies, to provide better facilities for training. I should like to see chiefs of police placed under civil service with provisions that will protect their tenure while they continue to give good service. I think that standards would be raised by such steps and the people would come in time to regard their local officers with the respect with which the FBI men are held. As I suggested before, one of the greatest ingredients in law enforcement is personnel. We must have men who are competent and honest and possessed of a will to enforce the laws. Without this all systems will fail.

I am particularly concerned about the necessity of a search for new weapons which will strengthen the hands of our law-enforcement officers. I am sure that this, too, is one of the things that concerns your committee and that after you have completed your investigation you doubtless will have some recommendations for legislation that will increase the effectiveness of our law-enforcement machinery. I would suggest that in seeking to eradicate the big rackets that have developed in slot machines and other organized gambling, Congress and the State legislatures, in their respective fields, consider the advantage of penalties that, if imposed, would far outweigh the illegal gains which might be obtained from the rackets. It is the opportunity for huge profits that lead so many to go into these rackets. It seems to me that we must adopt a plan of dealing with such cases that will make it clear there can be no profit. When a man can steal millions from his fellowmen through one of these rackets and then go to jail for a year or two and be free to go out and enjoy his ill-gotten gains, there is no sufficient deterrent to keep others from following the same path. I have no specific plan for implementing the proposal I am making, and I recognize that difficulties may be encountered in working it out. But I think it is an approach to the problem that ought to be helpful. If a way can be found to make the probable penalties and losses outweigh the prospect of gain, a blow will have been struck at the heart of the problem.

I think that the pending proposal to prohibit the interstate shipment of slot machines will help very much to curb this racket. It will help

even in the States that have slot-machine laws on the books, in giving greater impetus to the continuing enforcement of that law.

I believe that the bill prohibiting transmission of betting information on races over interstate communications systems should be passed. I recommended to our legislature in 1947 that the State of Minnesota pass a law making it illegal to use the telegraph, telephone or other means of communication to transmit bets or wagers of information regarding betting or any other illegal transaction.

Our States can do much to strengthen the hand of the local law-enforcement officers, and many have provided facilities and developed effective programs that give real help to sheriffs and police officers. Governors in most of the States can exercise considerable influence on local law enforcement. A governor, in my State and in some of the other States, has power to remove a sheriff or county attorney if he fails to enforce the laws. A governor in such States thus often can eliminate laxity in law enforcement when local officials fail to act. I think it would be a good plan to extend this power so that local police officers likewise might be removed for failure to enforce the laws. The proposal was discussed at the recent National Governors' Conference, and I found considerable support for it.

I think the States well may take the lead in efforts to obtain better training for law-enforcement officers and in supplying new tools which may be needed to make their work more effective. A group of the attorney generals of the States now is studying our Minnesota slot-machine law with the possibility of recommending its adoption in their States. Our attorney general told me not long ago he had sent a copy of our law to some 14 attorneys general of the Midwest group of States who were interested in bringing into being similar programs in their States.

A detailed study by officials of the States interested in law enforcement probably would turn up a number of other avenues of attack on the rackets that would be helpful.

I will not attempt to discuss the work of the Federal law-enforcement agencies, but would like to make one comment on it. I think that the people generally in my State appreciate the fine work which these agencies have been doing over the years and would welcome any new steps which you may consider necessary and helpful in meeting new problems, such as those presented by the growth of the big syndicates of organized crime. While much of our law enforcement naturally must be carried on by our local agencies, we recognize that there are many special fields in which the Federal Government well may supplement our local efforts or in some type of cases carry the whole burden.

I wish to make one further point. If our law-enforcement officers are competent and honest, if we equip them with adequate weapons to combat crime and Federal, State, and local agencies work together in coordinated attack, one thing more still is needed, as I have indicated, for complete success in law enforcement. Efforts of our law-enforcement officers must have public support. It is incumbent upon all of us to remember that law enforcement must be a concern of the people as well as the officials and that, given the facts, the people will support honest and courageous law enforcement. I have reported in some detail our fight against slot machines because I want everyone to see

that the great rank and file of our citizens want honesty. The people in Minnesota didn't want slot machines. It is the same in most communities. I think the bulk of the people in almost any community want decency and humanity and will support measures to curb the racketeers.

All of us, officials and citizens alike, must have a part in the fight for law enforcement if we are to have any complete success. I sometimes think that we get as good law enforcement as we are willing to fight for. The task is not always easy, but the stakes are high. My concern over law enforcement is based chiefly on a conviction that we must do everything possible to protect our boys and girls and that we must preserve in them a profound respect for the sanctity of law, for this, I think, is the very foundation of democratic government. If we have youth who are strong and reliant and have respect for law and government, the Nation will be strong and able to meet with confidence all the problems that lie ahead. While there are threats to our freedom and security from without, there are none so serious as those that might come from within, from our own people, if we let lawlessness increase and respect for law and government decline.

The CHAIRMAN. Senator Youngdahl, the committee wishes to thank you for this very factual and inspiring statement. Do you have some other matters that you wish to add?

Governor YOUNGDAHL. Yes, thank you, Senator. I would like to leave a copy of our slot-machine law with the committee, if I may.

The CHAIRMAN. This will be filed as a part of the record.

(The document referred to was marked "Exhibit No. 17," and appears in the appendix on p. 260.)

Governor YOUNGDAHL. I would like to explain briefly that the law defines gambling devices as "slot machines, roulette wheels, punch boards, number jars, and pinball machines which return coins or slugs, chips, or tokens of any kind, which are redeemable in merchandise or cash." So the definition is quite comprehensive. It includes not only slot machines, but these other types of devices.

The law provides, significantly, the intentional possession or willful keeping of a gambling device upon any licensed premise is cause for revocation of any license under which the licensed business is carried on upon the premises where the gambling device is found. The State doesn't have to prove that the device was used. Merely possession of it is sufficient to constitute grounds for revocation of the license.

When we were considering this bill there was some objection on the part of certain people and some lawyers, indicating violence to the due process clause because of the fact that the procedure provided for under this slot-machine law is that there shall be an order to show cause gotten out by the issuing authority calling upon the supposed violator to show cause why his license should not be revoked, and if evidence was presented to indicate there was willful possession of this gaming device, the issuing authority would then revoke the license. The right of review would be had to the violator under certiorari to the higher court. We agreed to the inclusion of a provision, instead of a writ of certiorari, that there might be a right of appeal de novo before a jury, if requested, in the district court so that none of the constitutional rights whatever of the supposed violator are prejudiced.

I have just one or two comments and observations, Senator and members of the committee, if I may make them.

When I was prosecuting back in 1922 and 1923 in the criminal court at Minneapolis during prohibition days, I had occasion to notice quite a substantial difference between the ordinary law enforcement officer of the metropolitan area and the Federal law enforcement officer, because during those prohibition days the Federal agents would gather the evidence of a violation of the prohibition law and instead of prosecuting their cases in the Federal courts, they would bring them over to the criminal court at Minneapolis and prosecute them there. As assistant city attorney it was my responsibility to present the evidence.

Now, without any reflection at all upon these men (we used to call them "flatfoot" in those days) because we have made considerable progress since those days, I noticed a substantial difference between the manner in which the cases were prepared by the Federal agents and some of those untrained local officers. Many times the local officers did not even have a prima facie case. Many times some of them didn't know what constituted a prima facie case. I noticed invariably that the Federal agents always had their cases well prepared. They were well trained. You always felt a sense of confidence that their cases would not be thrown out of court.

During the three decades that have transpired since that time a considerable change has occurred in the law-enforcement machinery of the metropolitan areas. Many of these officers are now getting regular training under Federal Government, under the FBI men, and many of them in different sections of the country have been placed under civil service. There is a vast difference.

Just the manner in which some of these people pay their Federal stamps indicates that they still have a much more profound respect for the Federal law enforcement officer than for the local officer, because both with respect to gambling and in respect to bootlegging it is indicated that they will pay the Federal stamps and yet feel perfectly free in many cases to violate the laws in the local areas. They don't seem to be so much concerned about the local enforcement officers. My contention is that we ought to eliminate the cleavage as far as the respect is concerned that the people have for the law-enforcement officers. I think we can do that by training these local law enforcement officers, giving them more training, placing them under civil service. There is not reason at all, it seems to me, why there should not be engendered the same respect for the local enforcement officer as there is for the FBI agent or the Federal enforcement officer.

Of course, you always have the local officer close in the home environment. So often he has his eyes on the next election instead of on the next generation. So often he is afraid of his job. Instead of having the intestinal fortitude to enforce the law and see to it that he has good government in his community, he winks at the law and walks right by the place that openly flouts the law. Part of the responsibility is in the people themselves.

I think the governors have a responsibility, too, not only governors, but all executive officers from the top down. Each of us has a responsibility because no matter how many laws we put on the books and no matter how effective this antislot machine law is, unless it is backed up by a continuing, relentless pressure on the part of the chief executive officer insisting that the laws are going to be

obeyed, you are going to have laxity and you are going to have some of these violations.

I think it is illustrated in the story that comes out of ancient China of the sage and the cynic. The cynic came to the wise man and said, "What have I got in my hands?" He had his fists closed. The wise man said, "You have a bird." Then he asked him, "Is it dead or alive?" thinking that he would surely trap the wise man because if he said "alive," the cynic would crush the bird dead in his hands, and if he said "dead," the cynic would open up his hands and permit the bird to fly away. But the wise man responded, "As you will, my son, just exactly as you will."

I think we are getting just exactly the kind of law enforcement in the United States today as we will. There isn't any community in the country that cannot have decent law enforcement if it wants it badly enough. There isn't any State in the country that can't have it if it wants it badly enough. There is a price you have to pay for it. A governor who stands up and fights for a slot-machine bill pays a price. He gets a lot of abuse. He gets kicked around considerably. He has to discipline himself that it is worth while, that we are fighting for something important in these days—I think as important as building up a military machine—and I am for it in these days as most of our people are for it—is strengthening our country within. If we show to the dictators that we not only give lip service to democracy, but we believe in it, we believe in it to the extent that we are willing to go all the way in enforcement and let the chips fall where they may, then I think the dictators are going to hesitate much more, much longer before they attack us. What they are telling their people is that we are weak and flabby, that we are going to fold up overnight, that we have no respect for the laws or the rules of the game. What is happening in certain parts of the country gives them good reason to be able to sell that kind of propaganda to their people. I don't think there ever has been a time when the work that this committee is doing is as important as it is right now, to create a wholesome respect for the law, not only so far as our future generations are concerned but so far as the strength and stability of our country are concerned in fighting this battle that we are struggling with today.

That is my story.

The CHAIRMAN. Thank you, Governor. Senator Hunt?

Senator HUNT. Governor, I, too, would like to compliment you on your very forthright and strong statement and incidentally to compliment you on the splendid job you have done in Minnesota along this line.

I would like to ask you a question. You speak of the high regard in which Federal law-enforcement officials are held, and I dare say you have never seen a slot machine that did not have above it the \$100 permit by the Government for operation of that machine. Would you recommend to this committee and would it be helpful to the various States if such legislation were passed that forced the Federal Government to discontinue this practice of going into States where slot machines are not legal and selling a permit for them to operate? That is what they do.

Here is what perhaps you have had and I think every other governor has had: Once a year this information is given out by the Internal Revenue Department in the various States, that there are 1,800 or 2,000 or 1,000 slot machines operating in the State. That immediately gives the impression that law enforcement is lax and that it will be all right for anybody else who wants to start operating slot machines, to do so. I think it is a very bad influence and I think something ought to be done to stop it and I wonder if you agree with me.

Governor YOUNGDAHL. I agree with you wholeheartedly, Senator Hunt. I think it is an anomaly where the Federal Government comes into States where it is an obvious violation of the law and collects this \$100 excise tax almost implicitly giving permission, you might say, to the people in the States to operate the machines. I think it is wrong. I would like to see that changed.

Senator HUNT. Might I ask you, do you not think the same situation prevails with reference to this \$25 Federal permit to sell liquor in any State in the Union?

Governor YOUNGDAHL. When I became Governor the record showed that there were 1,000 people apparently bootlegging in my State, because 1,000 of them were buying the \$25 liquor stamp even though the laws of the State of Minnesota made the selling of liquor by these individuals illegal, because they did not have a hard liquor license to sell liquor in the State of Minnesota. We published a map of those 1,000 stamps in the State at the time the legislature was meeting. It had an electrifying effect upon the sheriffs and the officials in the counties. We indicated to the sheriffs by letter to each one of them just where those stamps were in their communities, and within half a dozen months the number was brought down to less than 100. I think the same thing applies there, too. I think it is wrong in principle for the Federal Government to come in and collect any money for the operation of an activity that is made illegal in the State.

Senator HUNT. Then you would recommend to this committee that we recommend such legislation?

Governor YOUNGDAHL. I would.

Senator HUNT. One other question: Do you find that it is difficult to keep down law violations by all people when certain clubs, certain associations, and certain societies are allowed to maintain slot machines in their establishment in order to operate the club or the organization or the society?

Governor YOUNGDAHL. Very much so, Senator Hunt. When I had this law enforcement conference, one of the county attorneys of the State posed the question: "Mr. Governor, what would you think if there was a charge made against an organization of veterans for maintaining a lottery and half the members of the jury were service people? Do you think there would be any chance of getting a conviction?"

I said, "Mr. County Attorney, do you in considering whether or not to present a case to the grand jury whether or not you can get a conviction or whether you have enough evidence to go to the grand jury to sustain the charge?"

"If we are going to get uniform law enforcement," I said to these sheriffs and county attorneys, "It has to apply to every one alike, no exceptions. As long as the law states there are no exceptions, there

can be none if you are going to have decent and vigorous and effective law enforcement."

I agree that the minute you open the door to the slightest extent, as far as these clubs and other organizations are concerned, you are going to make the job that much tougher.

Senator HUNT. That is all, Mr. Chairman. Thank you.

The CHAIRMAN. Senator Wiley?

Senator WILEY. Governor, as a neighbor of yours, I congratulate you on your fine statement.

I feel with you—I believe I understood part of your statement to this effect—that it is incentive or the big take that makes this kind of racket profitable, is it not?

Governor YOUNGDAHL. Yes; that is right.

Senator WILEY. Have you given any thought to the remedy to the situation that, for instance, the Federal Government has produced by permitting the machines to operate in States like yours? Have you thought that it would be applicable at all to arrange to see that there wasn't such a big "take" in the game?

Governor YOUNGDAHL. I think that has to be one of the considerations of your committee, Senator, to find some means to take the "take" away, to take the profit away. That is one of the ways you can do it.

Senator WILEY. In a lot of private homes they have these machines. Is there any way you can regulate that?

Governor YOUNGDAHL. I might say here, when you pose that question, some folks will immediately say when you conduct a drive of this kind, "Mr. Governor, aren't you fooling around with penny-ante stuff? Aren't people always going to gamble? They have gambled since the days of Adam, and they are always going to gamble."

Of course, people are going to gamble, and they always probably will commit burglarly and robbery. Because we cannot eliminate all these offenses immediately is no reason why we should not continue to reach for maximum enforcement. The real danger is not the gambling that goes on in private homes. The danger is the corruption of public officials, the illicit profit that is involved in the racket that destroys the very base of decent government. They cannot operate at all without the approval of some of these public officials and law-enforcement officers. As long as that is the situation, I think the only answer is intensive enforcement.

Senator WILEY. You have anticipated one of my questions, so I will not go ahead and ask it. You brought out in this last statement of yours that the take, the incentive, so to speak, is of such significant nature that it is ready to reach out and corrupt public officials to maintain its life. That is what you mean, is it not?

Governor YOUNGDAHL. I might illustrate that: In a small community in Minnesota this activity occurred before we passed a slot-machine law. A public examiner disclosed the situation where \$11,000 was paid over by one of the racketeers supposedly to go either to the sheriff or county attorney to fix him so there would be no prosecution. The intermediary did not turn the money over. He pocketed it himself instead. That was brought out. During the progress of the prosecution he took his life and that ended that little story.

But when \$11,000 was paid over in that small community for protection, it indicates the extent of that racket as it reaches out.

Senator WILEY. In your investigation seeking to remedy this sickness, what did you find out as to its interstate character?

Governor YOUNGDAHL. I can only speak in a general way, Senator. I don't propose to speak with too much authority on the detailed extensiveness of the interstate character of this racket, but we did discover that it reached far across State lines and that there were connections far beyond Minnesota in this racket. We were satisfied of that.

Senator WILEY. Did they have headquarters in St. Paul, in the Middle West, the middle western slot-machine racket?

Governor YOUNGDAHL. I am not so sure about that. I know that our State was divided up into several districts, and we could spot the chief racketeers in each of those districts, and we believe they had connections elsewhere.

Senator WILEY. Did you find out that the slot-machine racket was joined up with any other racket?

Governor YOUNGDAHL. We were convinced that they reached out into all forms of crime.

Senator WILEY. You told of the interesting instance where you introduced a bill and pressure was brought, but apparently you people countered that pressure very effectively so that in the senate there wasn't even one vote against the passage of the bill that prohibited slot machines. Did you on that particular occasion have any opportunity to weigh and evaluate the forces that were for it?

Governor YOUNGDAHL. Yes; very much so. The polls that have been taken by our local newspapers indicate that, too. This recent poll which indicates that 73 percent of the people of Minnesota are opposed to the return of slot machines indicates the strongest support we have had since the beginning of this drive. By the way, this is one of the polls that has proved to be fairly accurate, Mr. Senator. It was broken down to show that 90 percent of the people in the rural areas were against slot machines. Good old salt-of-the-earth people, down-to-the-earth people who have no ax to grind were almost unanimous, as much unanimous as you can get it. Ninety percent of them were opposed to slot machines. The percentage was lower as it got around the cities where you had a little more superficiality and where the rackets would be more apt to thrive.

Senator WILEY. They would rather gamble with the earth, the sunshine, and the rain. That is the biggest gamble we know of.

Governor YOUNGDAHL. That is right.

Senator WILEY. I want to ask just one or two other questions. You said 73 percent. Here is what I am getting at: Who constituted the 27 percent and were you able to analyze that percentage and find out who it was that was really putting on the pressure for it?

Governor YOUNGDAHL. It was broken down to show that in the age bracket between 21 and 30 years of age there was less support for the elimination of slot machines than as folks grew a little older in life and became more mellow and understood some of the decent values. Unfortunately in the lower-age brackets we have a little more difficulty getting support for this program. That to me proves the very worth of it. And the need of such program.

Senator WILEY. Where were these machines manufactured?

Governor YOUNGDAHL. I couldn't answer that question, Senator.

Senator WILEY. Who headed up the ring?

Governor YOUNGDAHL. I wouldn't be able to answer that question. Senator WILEY. Have you any idea as to the amount of take in Minnesota?

Governor YOUNGDAHL. Yes. We roughly estimated it was a \$6,000,000 to \$8,000,000 industry a year in Minnesota. One writer last week in one of the current magazines indicated that the net profit last year was \$6,000,000,000 from the racket.

Senator WILEY. Nationally?

Governor YOUNGDAHL. Nationally, yes.

The CHAIRMAN. From slot machines?

Governor YOUNGDAHL. No, \$6,000,000,000 net profit from all gambling activities, Senator.

Senator WILEY. Did you have any evidence indicating any attempt to corrupt legislators?

Governor YOUNGDAHL. Yes. Well, about 2 weeks before the legislature adjourned and this bill was passed in the closing hours of the legislative session, one of the political writers wrote a pretty strong article indicating that there was some monkey business going on around along the lines you suggest, and then they ran for cover. No one dared vote against it then. We had evidence that there was some of that going on. There isn't a political campaign that goes on in my opinion but that the sub rosa are involved in it somewhere in support of the kind of officials that they think they can influence in their own behalf.

Senator WILEY. At that time was it required by the law before you passed your law that they have municipal permits or licenses as well as State permits or licenses?

Governor YOUNGDAHL. No, it was not.

Senator WILEY. No municipal?

Governor YOUNGDAHL. No.

Senator WILEY. Just State?

Governor YOUNGDAHL. Permits for what?

Senator WILEY. For operating slot machines.

Governor YOUNGDAHL. We did not have any permit system in Minnesota. The law simply prohibited all forms of gambling, including slot machines. The slot-machine law was an enforcement measure to require the forfeiture of licenses where the case was proved. We did not permit the operation of the machines, you see.

Senator WILEY. To make that clear, at the time you passed the statute that you particularly referred to here it was illegal to operate slot machines in Minnesota.

Governor YOUNGDAHL. Surely. You see, it had not been enforced. The law had been on the books for 50 years, half a century, but everybody took it for granted that it is impossible to enforce the law. It obviously was impossible until we came along with this enforcement measure which was very effective because they just did not want to take a chance on losing their licenses. You have somewhat of a similar law in Wisconsin, Senator, only ours was a little stronger than yours. Yours has worked very well itself.

Senator WILEY. When you get a little farther West you need a little stronger law.

Senator HUNT. Mr. Chairman, if the Senator has completed his interrogation, I would like to ask another question.

Do you have a sales tax in Minnesota?

Governor YOUNGDAHL. No, we do not have. I have indicated I am against it.

Senator HUNT. I would like to make the comment that in my own State when we were able in certain localities to cause temporary stoppage of gambling, we noticed immediately a considerable appreciation in the collection of sales tax, which indicated without question of doubt that that money that had been going into those sources was now going into the proper channels of trade where it should go.

Governor YOUNGDAHL. Hardly a day goes by but that we don't get some evidence of that, Senator, where someone will come up to me and say, "Mr. Governor, I was vehemently opposed to you on this thing, but now I am getting more money for groceries and for clothing and for the family." There are many evidences of that.

The CHAIRMAN. Senator Thye, do you have any questions?

Senator THYE. No, Mr. Chairman, I have none. It has been very interesting.

The CHAIRMAN. Is there anything else, Senator Hunt?

Senator HUNT. No.

The CHAIRMAN. Mr. Halley?

Mr. HALLEY. I have no questions, Mr. Chairman.

The CHAIRMAN. Governor Youngdahl, I am glad that you brought out the obvious fact that law enforcement depends upon local effort. I know there has been some fear on the part of some people that this committee might be in the position of recommending taking over on behalf of the Federal Government the duty and the prerogative of local law-enforcement officials. You, of course, know and anyone familiar with the effort of this committee knows that that is not our purpose. We want to try to encourage local law-enforcement officers and to be of any help to them that we can.

You stated that with proper diligence on the part of the local citizens in backing up their local law-enforcement officers you could clean up any community that you set out to do. How does that fit in with your recommendation that Congress should pass a bill prohibiting the transportation in interstate commerce of slot machines?

Governor YOUNGDAHL. I suppose I should include in that statement that it contemplates the cooperation of the State and Federal Governments as this team which I spoke of that must work together.

The CHAIRMAN. Do you think that such a law as passed the Senate and which I think was voted on adversely by the House Interstate and Foreign Commerce Committee a few days ago, would help you in your effort to continue good law enforcement in the State of Minnesota?

Governor YOUNGDAHL. I think it would be a very definite help. It would be right along the line of Senator Hunt's suggestion of the inconsistency of the Federal Government collecting this \$100 tax and then still interested in the problem of law enforcement. If the Federal Government as a matter of policy says there shall not be this interstate shipment of the machines, I think it would tremendously bolster up enforcement problems in all the States, including even those States that have a slot-machine law. I am very much in favor of it and I sincerely hope the Congress will pass such a law.

The CHAIRMAN. That is, if the State determines that it doesn't want slot machines, then supplemental legislation by the Federal Government to prohibit their shipment in interstate commerce you

feel would not be a taking over of the prerogative of the State but would be assisting the States in its efforts.

Governor YOUNGDAHL. That is right. I still think, by the way, that Minnesota, even if the law is not passed, is still going to keep slot machines out of the State.

The CHAIRMAN. Your effort would be more difficult.

Governor YOUNGDAHL. It would be a little harder; yes.

Senator HUNT. You mean while you are Governor.

Governor YOUNGDAHL. It would have been self-serving for me to have added that, Senator. I am glad you said it.

The CHAIRMAN. Governor Youngdahl, the committee is very grateful to you for appearing and giving us the benefit of your experience in the State of Minnesota. I know I speak for the committee in complimenting you and the officials of your State on a job well done.

Senator WILEY. Including the action of the electorate in electing him, too.

Governor YOUNGDAHL. Thank you very much, Senator, and I appreciate this opportunity.

The CHAIRMAN. Mr. Peterson, will you come around, please? Mr. Peterson, I take it we can get started with your testimony and then we will have to recess for lunch and answer the call of the Senate fairly shortly. I do not think you have been sworn. Do you solemnly swear the testimony you will give this committee will be the whole truth and nothing but the truth, so help you God?

Mr. PETERSON. I do.

TESTIMONY OF VIRGIL W. PETERSON, OPERATING DIRECTOR, CHICAGO CRIME COMMISSION, REPRESENTING THE AMERICAN MUNICIPAL ASSOCIATION

The CHAIRMAN. Mr. Peterson, you are the operating director of the Chicago Crime Commission?

Mr. PETERSON. That is right.

The CHAIRMAN. Mr. Peterson, how long have you been operating director of the Chicago Crime Commission?

Mr. PETERSON. About 8½ years.

The CHAIRMAN. The Chicago Crime Commission, as I understand it, is a voluntary association supported by contributions of the interested citizens; is that correct?

Mr. PETERSON. That is correct. It is a civic organization.

The CHAIRMAN. Prior to being operating director of the Chicago Crime Commission, you were associated with the Federal Bureau of Investigation?

Mr. PETERSON. That is correct. I was with the FBI about 12 years.

The CHAIRMAN. What position did you hold with the FBI when you left?

Mr. PETERSON. When I left the FBI, I was in charge of the Boston office.

The CHAIRMAN. Do you call that the agent in charge?

Mr. PETERSON. That is right, special agent in charge of the Boston office of the FBI.

The CHAIRMAN. You have had experience with the FBI in most of the sections of the United States in the matter of Federal law enforcement?

Mr. PETERSON. In a considerable number of sections, not in every section.

The CHAIRMAN. What sections have you been stationed in?

Mr. PETERSON. I was in charge of the Boston office 4 years. Before that, St. Louis 1 year, before that Milwaukee 2 years, and then I worked in Chicago for 2 years, in New York City, Florida, Philadelphia. That covers it I think, mostly.

The CHAIRMAN. I might say to you, Mr. Peterson, that the Director of the FBI, Mr. Hoover, and Mr. Nichols, the Assistant Director, have spoken very highly of your work with the Federal Bureau of Investigation and also with the Chicago Crime Commission. In the opinion of at least the chairman of this committee, you are outstanding in the work that you have done in your experience and you are well qualified to be of service to the committee in telling us not only the matters about the situation in Chicago but in other sections of the country.

As I understand it, today you are testifying on behalf of the American Municipal Association.

Mr. PETERSON. That is correct. In fact, prior to last December I had conferences with several mayors that were having difficulties with the organized crime problem. In some instances they felt some organized gangs were attempting to take over local governments. As a result of that, I was requested to appear before the American Municipal Association at its annual meeting in Cleveland. They then asked me to come here as their representative.

The CHAIRMAN. The president of the American Municipal Association, I believe, was Mayor Morrison of New Orleans last year?

Mr. PETERSON. That is correct.

The CHAIRMAN. And this year who is the president?

Mr. PETERSON. I believe Mr. Newton from Denver.

Senator WILEY. Mr. Chairman, I would like to ask a question there. Is your testimony going to apply to gangs, as you say, attempting to take over local government?

Mr. PETERSON. The principal purpose of my testimony is first to show the growth and development of some of the major gangs and the connections between these major gangs and many other sections of the country. I haven't gone too much into the government angle, although I may cover that somewhat in the testimony.

Senator WILEY. It will define the activity of the gangs, so it does not just cover gambling and slot machines?

Mr. PETERSON. Oh, no.

Senator WILEY. It goes into the major crimes and the effect upon the lives of the citizens in the various communities, and so forth?

Mr. PETERSON. Of course, the significance of the organized-crime problem is its effect on government. In other words, as the distinguished Governor just mentioned a few moments ago, there is very seldom any political campaign in his area in which the racketeering elements—and, of course, gambling is very lucrative—do not attempt to make political contributions and that sort of thing. The significance of that is that it then means that successful candidates who depend upon that particular revenue for their election to office then

must listen to the racketeering or criminal elements with reference to law-enforcement policies, and some of the law-enforcement officials then are under the control of your law violators. In other words, the law violators dictate law-enforcement policies and control certain law-enforcement agencies. I think that is one of the real significant points of the entire organized-crime problem.

The CHAIRMAN. Mr. Peterson, before you start your formal statement I thought we should have a further word about the American Municipal Association. As I understand it, its membership represents about eleven or twelve thousand communities—cities or local communities. Is that true?

Mr. PETERSON. I believe it represents 10,300 municipalities and cities.

The CHAIRMAN. At their meeting last year where you made a report, I believe it was, in Cleveland, Ohio.

Mr. PETERSON. That is correct.

The CHAIRMAN. At that meeting the American Municipal Association passed by unanimous vote a resolution stating that they felt that this was a matter in which in some instances they needed the cooperation of the Federal Government in helping them in their law-enforcement problems, and they asked for an investigation by some Federal agency or by Congress. Is that not true?

Mr. PETERSON. Yes, sir.

The CHAIRMAN. I might say that that resolution was one of the reasons that I happened to file the resolution in the early part of this Congress.

Mr. Peterson, you may proceed for about 15 minutes and then we will recess until 2:30.

Mr. PETERSON. In the first place, in order to have an understanding of organized crime in America today, it is necessary to review the growth and development of some of the major criminal gangs of approximately three decades ago. The real beginning, of course, is much earlier, but many of the most important criminal gangs operating throughout the country today stemmed from the major gangs operating in Chicago and New York City, in particular, about 30 years ago.

For convenience, we might refer to the New York mob as the Frank Costello gang and the Chicago gang as the Capone syndicate.

Naturally, this constitutes an oversimplification of the problem, but it really is surprising when there is a full realization of the tremendous influence these two organized gangs still wield throughout the Nation today.

For the sake of clarity, I am going to review very briefly the Capone syndicate.

On May 11, 1920, Big Jim Colosimo was killed in gangland fashion in Chicago. He had risen to power and influence through the operation of a string of brothels to become the vice lord of the first ward and had married one of the most prosperous madams of the district. He became the operator of a restaurant known as Colosimo's, which last located at 2136 South Wabash Avenue. Colosimo's Restaurant had become nationally famous. Several years before he was killed, Colosimo had imported to Chicago a bodyguard by the name of John Torrio. Some sources claimed that Torrio, who had already estab-

lished himself as a tough gangster in New York, was sent to Colosimo by Frank Uale. All of you remember him undoubtedly. He was a ruthless gang leader in New York City. That is spelled U-a-l-e or, commonly, Y-a-l-e.

When Colosimo was killed in 1920 there was some justification for the claim that Torrio had imported Frank Yale to commit the murder. Regardless of the truth of that allegation, it is definitely known that, upon the death of Colosimo, John Torrio became the lord of Chicago's underworld.

As an interesting sidelight, at the time Colosimo was killed in Chicago, a United States Senate Judiciary hearing was in progress relating to the Sterling-Sims bill which was designed to prohibit the interstate transportation of racing information. On May 10, 1920, testimony was given before the Senate Judiciary Committee to the effect that Chicago was the center of race-track information for the entire United States.

On May 12, 1920, the press reported that the Chicago headquarters for race information for the entire United States was located in the office of the General News Bureau operated by Mont Tennes at 431 South Dearborn Street, Chicago. In 1950 the Chicago headquarters for Continental Press, which disseminates racing-news information throughout the United States, is located at 431 South Dearborn Street, Chicago. Conditions haven't changed too much in the last 30 years insofar as that situation is concerned.

When Torrio became the leader of Chicago's underworld upon the death of Big Jim Colosimo on May 11, he selected, as his chief lieutenant, Al Capone, then 23 years of age. Capone had already established himself as a tough gunman with the Five Points gang of New York City. The headquarters for the Torrio mob was at the Four Deuces, 2222 South Wabash Avenue, Chicago. The first floor contained a saloon, cafe, and the office of Torrio. The second and third floors were devoted to gambling and the fourth floor to prostitution. Torrio even actually envisioned a vice monopoly for the entire county. In particular, he became entrenched in a Chicago suburb called Burnham, Ill., with the assistance of John Patton, who became known as the boy mayor of Burnham. Among the earlier subordinates of Torrio was Jack Guzik, who was later to become the business manager of the gang during the heyday of its operations, and he has asserted a considerable amount of influence in Chicago up until the present time.

On April 1, 1924, there was virtually an armed invasion of Cicero, Ill. Through Edward Vogel, plans were made for the underworld organization headed by Torrio to elect its ticket in the mayoralty election. During the past three decades, until the present time, Edward Vogel is known as the slot-machine king of Cook County, and throughout that period has been an important member of the so-called Capone syndicate. On the date of the election April 1, 1924, the Torrio-Capone gang manueuvred the polls with machine guns. There was a considerable amount of violence, and Frank Capone, a brother of Al, was killed during a gun battle between the hoodlums and the police. Charlie Fischetti, one of the leading gangsters in America today, was present with Frank Capone and other hoodlums during the time the election violence was in progress. Charles Fischetti, a cousin of Al Capone, continued to grow in stature in the syndicate until the present time, when he is unquestionably one

of the most important underworld characters in the Nation. Following the 1924 election, Cicero became the headquarters for the Torrio-Capone combination, and an influence of the members of this organization has been strong until the present time.

In April 1924 a raid was made on a brewery—Sieben Brewery—operated by John Torrio and his gang. Torrio was arrested and so were numerous other individuals. They were indicted. Some time later Torrio was sentenced to serve 9 months in the Du Page County Jail and received a \$5,000 fine. But just before he began serving his sentence he was ambushed and shot. He was taken to the Jackson Park Hospital in Chicago, where he recovered. After his recovery he served his jail sentence and then he abdicated his underworld throne in Chicago to Al Capone. As I will show you later, he then became tied up with Costello in New York.

On April 7, 1925, the press reported a raid on the headquarters of the Torrio-Capone gang, which was then located at 2146 South Michigan Boulevard. Arrested in this raid were John Patton, Robert Larry McCullough, Joe Fusco, Frank Nitti, and others. The police recovered records which revealed that John Torrio, John Patton, Al Capone, and Jack Guzik, together with others, were operating an efficient illegal organization which was engaged in operations netting millions of dollars a year.

MR. HALLEY. Mr. Peterson, some of the names that you have just mentioned are still operating; are they not?

MR. PETERSON. That is correct. In other words, I am paving the way to show that these men are still prominent—not all of them. Nitti, of course, has committed suicide, and John Patton, of course, is an old man, but these other people that I am mentioning—most of them—are active today. Of course, Torrio is no longer active.

MR. HALLEY. Isn't Patton active in Florida?

MR. PETERSON. Up until 1941 his name appeared as one of the stockholders of some of the dog tracks down there. He is still apparently active. The stock is in his son's name at the present time, James Patton; and Robert Larry McCullough, for example, whom I mentioned here, has been the chief of police of the Miami Beach Kennel Club down there to help them maintain law and order, I guess. I don't know.

THE CHAIRMAN. Mr. Peterson, you have notes that you are following. I wish it were possible to have copies of these notes for the benefit of the press. I know it is very difficult for them to follow this.

MR. PETERSON. Unfortunately, I was under such pressure in trying to get ready; in fact, I just finished dictating it yesterday before I left and I didn't have extra copies. I have the one extra copy that I gave to your committee here.

THE CHAIRMAN. I wonder if during the lunch hour, from the point where Mr. Peterson leaves off, copies could be made. It would be a pretty fast mimeographing job.

MR. KLEIN. I don't think it could be done, Senator.

MR. HALLEY. Mr. Peterson also explained that there are some names in the statement that he has there that he would not want to make public, but will give the committee privately. The committee should know that Mr. Peterson made every effort to have a copy of his statement that could be made public in the committee's hands by yesterday,

so it could be mimeographed, but he found that the pressure of work was such that he just could not do it. It is quite a long statement, and it is understandable that he couldn't do it; but he did try to do it.

(Discussion off the record.)

The CHAIRMAN. Mr. Peterson, we will recess at about 12:25 if you can find some place where you can stop.

Mr. PETERSON. I will be glad to do that. There is just a little bit left leading up to the background of the Capone gang here, and then perhaps that would be a good breaking off point.

The CHAIRMAN. All right, Mr. Peterson.

Mr. PETERSON. After John Torrio left Chicago about 1929 is when Al Capone became the ruler of Chicago's underworld. One of the early bodyguards of Capone was Louis (Little New York) Campagna. Campagna originally came from New York City, and at first it is claimed that he hung around Taylor and Halsted Streets in the old "bloody twentieth" ward in Chicago. Torrio had built up power for his organization of gangsters, and this was taken over by Capone and became even more powerful as time elapsed. On February 14, 1929—I am sure you are all familiar with the St. Valentine's Day massacre in Chicago. Apparently, Capone gangsters intended to kill Bugs Moran, Willie Marks, and Ted Newberry, all of whom were North Side underworld leaders. The investigation conducted by the police revealed that until 3 days before the massacre Guzik had been holding daily long-distance telephone conversation with Al Capone in Florida. Jack Guzik was then the business manager of the illegal empire controlled by Capone. Among the numerous individuals sought by police as suspects—and they were just suspects—were Tony Accardo, Claude Maddox, and Tony Capezio.

The activities of the Capone gang consisted principally of illegal liquor racket, gambling, and allied activities such as dog racing. The Capone gang was vitally interested in a track in Chicago known under two names, namely, the Laramie Kennel Club. In connection with the investigation of the St. Valentine's Day massacre in Chicago in 1929, testimony was taken concerning the sale of a machine gun. The vendor of the gun testified that he had sold a machine gun to Edward J. O'Hare, who was then manager of the Hawthorne Kennel Club and who actually became the czar of dog racing for the Capone syndicate.

The Chicago Daily News on April 30, 1929, stated, reporting the testimony:

Three witnesses supplied the testimony regarding the machine-gun deal through the Cicero police with the Capone dog track, which was owned by John Patton, boy mayor of Burnham, and Jack Guzik, business manager for Capone. * * *

In the autumn of 1931 Al Capone was brought to trial in Federal court for income-tax evasion. Capone's bodyguard at that time was Phil D'Andrea, who, true to form, appeared in court with a concealed weapon and was sentenced by a Federal judge to 8 months in jail for contempt of court. Phil D'Andrea, as you know, was recently—in 1943—convicted with other Capone gangsters in the movie extortion case. When Capone was committed to Federal prison, Frank Nitti became the head of the Capone gang. At the time Capone went to prison the following individuals had grown in stature within the Capone organization and were powerful members of the Capone syndicate: Frank Nitti, Louis (Little New York) Campagna, Paul Ricca,

Phil D'Andrea, Jack Guzik, Tony Accardo, Charles Fischetti, Edward Vogel, Hymie (Loud Mouth) Levin, Ralph Capone, Tony Capozio, Ralph Pierce, Murray Humphreys, Frank Maritote, alias Frank Diamond, Nick Circella, alias Nick Dean, Lawrence Imburgio, Charles Gioe, Anthony (Mops) Volpe, William Niemoth, and Sam (Golf Bag) Hunt. Most of these individuals are still important members of the Capone syndicate in 1950. Numerous others have grown to power and have become influential within the organization. The operation of the gang has been extended to many places in the United States, and important alliances have been made from time to time with the powerful underworld leaders in other parts of the country, particularly with members of the so-called Frank Costello gang in New York.

That gives a brief background of the beginning of the Capone syndicate.

The CHAIRMAN. Mr. Peterson, I think we will interrupt your statement at this point.

For the information of the press and others here, the committee will continue with Mr. Peterson's statement at 2:30 this afternoon in this room, but his statement will be interrupted at 3:15, at which time Mr. William Brown, the president of the Pioneer News Service, will testify. Mr. Brown has been here since yesterday and wants to go back home tonight.

The committee will stand in recess until 2:30.

(Whereupon, at 12:25 p. m., the committee recessed until 2:30 p. m. the same day.)

AFTERNOON SESSION

(The committee reconvened at 2:30 p. m. pursuant to the taking of the noon recess.)

The CHAIRMAN. The committee will come to order.

Mr. Peterson, will you continue with your testimony, please?

FURTHER TESTIMONY OF VIRGIL W. PETERSON, OPERATING DIRECTOR, CHICAGO CRIME COMMISSION, REPRESENTING THE AMERICAN MUNICIPAL ASSOCIATION

Mr. PETERSON. In the early 1920's while the Torrio-Capone organization was flourishing in Chicago, the principal underworld leader in New York City was Arnold Rothstein. He was frequently referred to as the master mind of the underworld. He financed many important underworld leaders in their activities, and among those who were close to Rothstein and who benefited from his financial assistance were Frank Costello, Eddie Costello, a brother of Frank, George Uffner, a dealer in narcotics who was closely associated with Charles "Lucky" Luciano and Dandy Phil Kastel.

The CHAIRMAN. Mr. Peterson, at that point, that is a statement of fact, and how do you know that?

Mr. PETERSON. Through our files and through research. That information, of course, has been a matter of public record over a long period of time.

The CHAIRMAN. You do have factual data to back up every statement of fact that you make before the committee?

Mr. PETERSON. That is right.

During World War I Kastel was engaged—as a matter of fact, he has been convicted—was engaged in many illegal operations. He was once charged with the time-worn badger game. He was tried and acquitted of that charge and was represented by Rothstein's attorney. Until 1921 Kastel had operated a bucket shop under the name of Dillon & Co., which it was claimed resulted in swindling clients out of approximately a half million dollars. He was convicted and sentenced to prison. When Kastel came out of prison he became a partner and associate of Frank Costello. Kastel, incidentally, was also a friend of Nickie Arnstein.

During the 1920's and the early 1930's Frank Costello numbered among his associates such individuals as Louis Lepke Buchalter, Dutch Schultz, Arnold Rothstein, Joe Adonis, Owney Madden, and Willie Bioff, who incidentally testified at the moving-picture extortion trial that Costello was a member of the conspiracy through which he and George Brown had obtained control of the stage-hands' union.

As a sidelight, from about 1922 to 1931 Joe Masseri was the head of the underworld activities of what is frequently called the Mafia. He was known as Joe the Boss, and was head of the Italian lotteries and similar illegal activities. One of his lieutenants was Charles "Lucky" Luciano, who allegedly succeeded him as head in about 1931.

From 1928 to the early 1930's one of the most powerful gangs operating New York City and on the East coast was composed of the following individuals: Frank Costello, Joe Adonis, Benjamin "Bugsy" Siegel, John Torrio, the abdicated king of the Capone syndicate, Dutch Gold-berg, Abner "Longie" Zwillman, Meyer Lansky, Charles "Lucky" Luciano, Moe Sedgwick, alias Little Moe, Jack Levenson, Charles Haim, and Louis Pokrass, and a number of others. Most of those activities of course were in the bootlegging field. Benjamin "Bugsy" Siegel, Meyer Lansky, and Charles "Lucky" Luciano were said to be the enforcers for the gang and they engaged in terrorizing tactics as enforcers. As I said before, until the repeal of prohibition the principal activities of this group were related to the illegal liquor traffic. Many of them remained in the same field following prohibition. Many of the group of course were big-time operators in the field of gambling. As early as 1932 Joe Adonis, Frank Erickson, and others were promoting a big sweepstakes operation. In 1933 Adonis sent his representative to Chicago to help reorganize the Manhattan Brewery. The representatives of Joe Adonis remained in the Chicago area for about 4 or 5 months in connection with the reorganization. Torrio had previously been connected with this brewery during prohibition. It was claimed that Joe Adonis had an interest along with members of the syndicate. It thus appears that as early as 1933 there was a close collaboration between the Joe Adonis-Frank Costello mob in New York and the Capone syndicate in Chicago. As previously indicated, Frank Costello, Joe Adonis, John Torrio, and other members of the gang gained control of legitimate liquor business. At one time they succeeded in having their representative placed at the head of State-wide trade associations and through their influence they were able to have their representative elected to the liquor code authority under the old NRA. During this period the Capone syndicate—

The CHAIRMAN. Mr. Peterson, what was the State-wide association?

Mr. PETERSON. That was a liquor association.

The CHAIRMAN. I mean the one before that, the tourists' association.

Mr. PETERSON. No, it was a State-wide trade liquor association. I have the details of that in our files which I can make available to you.

The CHAIRMAN. Is that the name of the syndicate?

Mr. PETERSON. No, that was not the name. That is a generalization. I have the exact name of the association in our files which I will make available to you if you want it.

The CHAIRMAN. Thank you.

Mr. PETERSON. During this period the Capone syndicate was virtually in control of dog racing throughout the Nation. The New York group was also interested in this racket, and at a single session of one legislature they claimed they spent the sum of \$100,000 in an effort to secure favorable legislation.

In 1930 Costello and his lieutenant, Dandy Phil Kastel, were associated with Irving Haim. Kastel received large sums of money for the promotion of William Whitely liquors in the United States through the Alliance Distributors, which was controlled by Irving Haim. In 1934 Costello obtained the agency contract for Whitely brands which he transferred to Alliance Distributors, of which Irving Haim was the principal owner. In 1937—

The CHAIRMAN. Mr. Peterson, what are the Whitely brands?

Mr. PETERSON. That is the King's Ransom Scotch. That was what it was. There again there are documents in connection with hearings held in New York concerning that matter.

In 1937 Haim negotiated the purchase of this J. J. Turney & Son, Ltd., holding company of William Whitely & Co., distillers. The purchase was made in the name of Irving Haim and the money was obtained from a New Orleans bank on notes secured by Irving Haim, Phil Kastel, Frank Costello and William Helis. Dandy Phil Kastel and Frank Costello were also engaged in large-scale slot-machine activities. In New York the company was known as the True-Mint Co. When Mayor LaGuardia conducted his campaign against the slot-machine operations of Costello and Kastel in New York, they negotiated with officials of Louisiana and began large-scale slot-machine operations there. In Louisiana they organized the Pelican Novelty Co. together with a number of subsidiary companies, one of which was the Bayou Novelty Co. They began operations in Louisiana in 1934, and it is claimed that the first year of their activities there netted them about \$800,000. Although the purpose of permitting the slot machines originally was allegedly for charity, it is also claimed that charity received only about \$600.

Getting back to the Capone syndicate, I think it might be important briefly to give you a brief background of some of these individuals who are now the leaders of the Capone syndicate.

Charles Fischetti is one of the most important members of the syndicate at the present time. As a matter of background, he is a cousin of Al Capone and has been an important member of the syndicate for the greater part of three decades. He owns a home, in addition to his address in Chicago at 6471 Allison Road, Miami, Fla., Allison Island. He also maintains a residence address at 3100 North Sheridan Road in Chicago, where his brothers, Rocco and Joe, live. He has been arrested numerous times. In addition to maintaining close contact with various prominent members of the syndicate in Chicago,

he has associated with John and Fred Angersola, usually referred to as John and Fred King, from Cleveland. This association recently has taken place in Florida. However, that association began before that time, where both the Fischettis and the Kings have spent a large amount of time recently. On the west coast Fischetti has associated with Jack I. Dragna, one of the most powerful underworld leaders in that area. He has also been known to maintain close relations with some of the individuals who have been prominently identified with the underworld on the east coast.

His brother, Rocco Fischetti, sometimes known as Ralph Fisher, has also been a member of the Capone syndicate since the late 1920's. He has been in charge and control of some of the largest gambling establishments in Lake and Cook Counties. For a number of years Rocco Fischetti and a man by the name of Jim Bettinus operated the notorious Rock Garden Club in Cicero, Ill. Following a grand jury investigation in 1943 this establishment moved to Lake County where they controlled the Vernon Country Club, one of the most elaborate establishments in that area. Following the grand jury investigation there they moved back into the Chicago area.

Gus Liebe has served as the manager of many of their establishments, those that are controlled by Rocco Fischetti.

Tony Accardo, frequently regarded as one of the leading members of the syndicate, resides at 1431 Ashland Avenue, River Forest, which is a very choice residential suburb of Chicago. He has also resided at 9199 Collins Avenue, Surfside, Fla., just north of Miami. Since Frank Nitti committed suicide in 1943, Tony Accardo has frequently been considered the leader of the Capone syndicate. In 1946 James M. Ragen, who was then part owner and manager of Continental Press, made a signed statement to the State's attorney in which he alleged that Tony Accardo, Murray Humphreys, and Jack Guzik, all of them members of the syndicate, attempted to muscle him out of 40 percent of the proceeds of the Continental Press, a racing information news service covering the entire United States. Ragen was then ambushed and shot on June 24, 1946, and later died. The Capone syndicate then formed its own racing news information service which was called the Trans-American Publishing & News Service, Inc. Accardo, as I mentioned before, was one of the alleged plotters of the St. Valentine's Day massacre in 1929. He was picked up, arrested, following that. In 1931 the crime commission named him as a public enemy. He has been arrested in Chicago on numerous occasions. In connection with the Federal parole of Paul Ricca, "Little New York" Campagna, Charles Gioe, and Phil D'Andrea, Accardo was indicted in Federal court in Chicago. He had visited Ricca and Campagna in Leavenworth Penitentiary under the pretext that he was an attorney and used the name of Joseph Bulger, a Chicago attorney.

Tony Accardo has operated gambling places in Chicago in partnership with both Harry Russell and Dave Russell, and he has also been a partner of Lawrence Imburgio. Among his other partners in gambling enterprises is John Patrick Borcia, whose activities extended from Chicago to California, where he has been operating the Primrose Bar, which incidentally is a hangout for hoodlums. Early in 1950 the Los Angeles Police Department was seeking Jack I. Dragna, one of the most notorious gangsters on the west coast. A confidential address book was seized from Dragna's principal lieutenant, Giroloma Adamo,

alias Mo Mo. This book contained the addresses and names, in many instances the private telephone numbers, of some of the leading underworld characters in the Nation. Among the names contained in this book was that of Tony Accardo, together with his residence address in River Forest, Ill. The book also contained the name of Joe Batters, which is the name frequently used by Accardo. Tony Accardo's brother, Martin L. Accardo, has recently resided at 1217 Granada Boulevard, Coral Gables, Fla. He is a felon, having been sentenced to the Federal penitentiary to serve 1½ years for violation of the National Prohibition Act in 1932.

Paul Ricca, 812 Lathrop Avenue, River Forest, Ill., is frequently considered the top ranking member of the Capone syndicate. Since his parole from Federal penitentiary in 1947 he has naturally kept in the background. Paul Ricca, together with several other members of the Capone syndicate, including John Roselli, of the west coast, and Louis Kaufman on the east coast, conspired to extort a million dollars from the movie industry. They were convicted in Federal court in New York City in 1943.

Senator WILEY. What did you say they did to the movie industry?

Mr. PETERSON. They conspired to extort a million dollars from the movie industry. They were convicted in Federal court in New York City in 1943.

The CHAIRMAN. That is the so-called Bioff-Brown case.

Mr. PETERSON. That is right. They were also mixed up in that case.

In 1940 a temporary injunction was granted to George McLane on the petition that hoodlums were attempting to take over the financial affairs of the Bartenders and Beverage Dispensers Union, Local 278, in Chicago. Named in the injunction were Louis Romano, president of the union, Frank Nitti, Murray Humphreys, Louis "Little New York" Campagna, Fred Evans, and Paul Ricca. At that time McLane alleged that he had been told previously by some of the gangsters, namely Frank Nitti, Paul Ricca, and Louis Campagna, that they wanted to take over control of the union in order to loot the treasury. In 1943—

Senator WILEY. What was the result of that?

Mr. PETERSON. I think the union was thrown into receivership. There was also an indictment returned at that time and when the case went to trial, George McLane then took the witness stand and said he refused to testify on the ground—he exercised his privilege. I don't know whether it was on the ground of self-incrimination, but it was on some ground, and of course the whole case blew up because the case depended quite largely on the testimony of George McLane.

Senator WILEY. Were there subsequent developments? Who is in charge of the union now?

Mr. PETERSON. I think a man by the name of Crowley is the business agent of the union at the present time. He, incidentally, was shot in Milwaukee a couple of years ago.

Senator WILEY. He got shot or was shot.

Mr. PETERSON. I think he was shot in connection with a union election out there.

Senator WILEY. How many years ago was that?

Mr. PETERSON. Time goes fast. I would have to check. I think it was 2 or 3 years ago.

The CHAIRMAN. You say that happened in Wisconsin?

Mr. PETERSON. I am not sure. They were holding the election in Milwaukee. I think he was shot in Chicago, as a matter of fact. I am not positive about that. I would have to check on that.

Senator WILEY. Anyway he wasn't a Wisconsin citizen.

Mr. PETERSON. That is right. I give you a clean bill of health on that.

In 1943 the newspapers charged the Nitti-Ricca-Campagna combine had cleaned out the treasury of the Retail Clerks International Protective Association, Local 1248. Max Caldwell, alias Max Pollack, an ex-convict, had been in charge of the union funds. A union representative testified that out of \$910,000 collected by Caldwell as the union representative, he could find only about \$62. Pollack associated with numerous other members of the Capone syndicate, and it was customary for him to take them on airplane trips from Chicago to Miami. Max Caldwell incidentally is presently located in Miami.

Senator WILEY. What union was that?

Mr. PETERSON. That was the Retail Clerks International Protective Association, Local 1248. Caldwell was then kicked out of the union.

Senator WILEY. Did they ever recover any of it?

Mr. PETERSON. No; not to my knowledge.

Senator WILEY. That was before the Taft-Hartley Act, in 1943.

Mr. PETERSON. Yes; it was in 1943.

Paul Ricca, among other property, has a summer estate located near Long Beach, Ind., worth about \$75,000. He is supposed to have a farm in Kendall County, Ill., about 1,100 acres there, which has been managed or was during the war by Francis Curry. Ricca frequently has used the name of DeLucia, and the owner of record of the property in Long Beach, Ind., is in the name of Nancy DeLucia. In 1943 Ricca had a suit pending against the tenant and owner of a downtown building for personal injuries suffered during an elevator fall. At the time of the accident Ricca was in the company of Charles Fischetti and Joseph Fischetti. Ricca apparently was born in Naples, Italy, about 1899. It is claimed that he served in the Italian Army during the First World War. His first employment upon coming to Chicago was that of a waiter in a coffee shop on Halstead Street and later as a waiter in a restaurant on Wabash Avenue near Harrison, where Frank Nitti and other hoodlums frequently gathered. Nitti was attracted to Ricca, so the story goes, because of his intelligence and induced him to work at the Lexington Hotel which was a Capone gang headquarters, as a confidential aid to Nitti. From that time on, Ricca became influential in the inner circles of the Capone organization. It is stated that Ricca came to this country about 1920 and that his name in Italy was Magleo or Maglio. Frank Costello of New York has admitted having an acquaintanceship with Ricca several years ago.

Louis "Little New York" Campagna, 2927 Maple Avenue, Berwyn, Ill., also has farms in Berrien Springs, Mich., and Fowler, Ind.

Campagna was one of the early bodyguards for Al Capone. At one time it was believed that he would eventually succeed to Al Capone's shoes, although he never actually gained that status. Unquestionably, however, he is one of the top ranking members of the syndicate and has operated within the inner circle of that organization for almost three decades. On July 10, 1936, the Chicago press carried an article to

the effect that Frank Nitti, State Representative James J. Adduci, and Louis "Little New York" Campagna had been placed under police surveillance as leaders of the revived Cammora to control gambling, bootlegging, and all other rackets in Chicago. The three named were under investigation following the murder of State Representative John M. Bolton, who was killed on July 4, 1936. Campagna was one of those restrained in that order that I mentioned a few moments ago from looting the treasury of the Bartenders and Beverage Dispensers Union, Local 276 in 1940. Campagna was convicted in Federal court in New York City again with Paul Ricca and John Roselli from California and Louis Kaufman from the East, and others. Again that was the movie extortion plot. Campagna was paroled from the Federal penitentiary on August 13, 1947, together with Paul Ricca and Charles Gioe. They were later returned to the penitentiary. However, they were subsequently released as a result of court action and are presently on parole pending appeal. At least, they were, the last that I inquired. The Circuit Court of Appeals for the Fifth District, New Orleans, has ordered that Campagna and Gioe be returned to the penitentiary, but there is still further legal action pending. Campagna has made a fortune from gambling activities in Cook County. He has been affiliated in gambling activities with Willie Heeney, an important figure in Cicero, Joseph Corngold, alias Fifke, of the El Patio gambling establishment, 5914 West Cermak Road, Cicero.

Senator WILEY. Did they return what they made on Federal income tax returns?

Mr. PETERSON. I believe there was testimony introduced in the congressional hearings with reference to the parole a year ago. I don't recall the exact figures, but I believe that Ricca admitted in testimony there that he got between \$50,000 and \$100,000 a year. This is from recollection. I don't remember the exact testimony. I think Campagna indicated that he got around \$200,000 as his share.

Senator WILEY. What did their tax returns show?

Mr. PETERSON. I don't know.

The CHAIRMAN. The testimony you refer to was before the Hoffman committee?

Mr. PETERSON. That is right. I am giving this from memory as far as what they testified to, but that is my recollection.

Senator WILEY. Did the Federal Government take any action for the collection of back taxes?

Mr. PETERSON. Prior to the time they were released I think there were back taxes on the part of Campagna and Ricca to the extent of about \$500,000, as I recall. They settled it for about 20 cents on the dollar. That was before the paroles. They settled for around \$100,000. That was at the time when all this mysterious money was dumped in on Eugene Burnstein's desk in Chicago and they paid off these so-called back tax claims. That was prior to the time they were released from the penitentiary.

Senator WILEY. What year was that?

Mr. PETERSON. 1947.

That was in testimony before the Hoffman committee. Mr. Lahey said that Heeney testified that "Little New York" Campagna got 60 percent out of this joint I mentioned and Corngold got 15 percent. That is out of Cicero gambling joints. That was their testimony. Thank you.

Tony Capezio, "Tough Tony," resides also in River Forest, Ill., 1048 Ashland Avenue, and has been considered a member of the Capone mob since about 1929. During the Dillinger investigation, incidentally, he was one of the principal contacts with "Baby Face" Nelson, the most notorious killer of that gang. He is about 47 years of age and resides with his wife, Marie Capezio at the above address. Capezio's wife Marie is the sister of Frank Nitti, former head of the Capone mob. Tony Capezio was one of the suspects in the St. Valentine's Day Massacre in Chicago in 1929 and was also a suspect of the murder of Mike DePike Heitler. He was a brothel house owner, and I think he was killed around 1930.

Senator WILEY. You say Ricca was born in Italy. Are the rest of them American citizens?

Mr. PETERSON. I think they are all citizens within my knowledge. Some of them may not be, but I don't know. Our files would probably show whether they are or not.

Capezio has also been closely associated with John I. De Biase alias Johnny Bananas, of the Twenty-eighth Ward in Chicago, who has been very powerful there. Tony Capezio's wife is part owner of the Orchid Flower Shop, at 2408 West Chicago Avenue. My recollection is that Campagna's wife is also a part owner of that shop. I would have to check that, however.

He is also allegedly owner of a cocktail lounge and there have also been allegations, which have not been proved, that he has an interest in a currency exchange. For the past 20 or 25 years Capezio has been a friend of Claude Maddox, an important syndicate member who has operated primarily in Cicero, Ill. He has been arrested with Claude Maddox as well as with Rocco De Grazio, Fred Rossi, and others. Allegations were made a number of years ago that—these were public allegations, never proven—that Maddox and Capezio were active in attempting to control Local 705 of the Teamsters and Chauffeurs Union. Capezio has been engaged in big-time gambling operations in Chicago.

Jack Guzik, another member of the syndicate, was the business manager of the Capone syndicate or was called such during the heyday of Al Capone's regime in Chicago. He has been prominently identified with big-scale gambling by James M. Ragen up until recent years. In 1946 it was alleged in a statement made by James M. Ragen to the State's attorney that Guzik, together with Tony Accardo and Murray Humphreys as representatives of the Capone syndicate were attempting to muscle into the Continental Press. Jack Guzik was very close to Al Capone until the time he died. Jack Guzik's son-in-law, Frank Garnet, has been very prominently identified with the distribution of juke boxes in Illinois and recently in California. Guzik's brother-in-law, Louis Lipschultz, has been active in Cook County. About 1948 Louis Lipschultz, according to the chief of police of Cicero, Ill., contacted him and offered him \$100,000 to permit gambling to operate in Cicero. The offer was turned down. Lipschultz at that time said he was merely a spokesman for friends. In 1936 Lipschultz—

The CHAIRMAN. Did he admit making the offer?

Mr. PETERSON. It was just between Lipschultz and the chief of police. I don't think he was ever confronted by anybody with it. The

offer was turned down. The chief of police made the statement that he made that offer to him.

In 1936 Lipschultz, who was then residing at 4342 Ogden Avenue, pled guilty to income tax evasion in Chicago court and was fined \$500 and paid \$7,000 in a compromise settlement. In the income tax hearing there it was claimed that Lipschultz then received a gross income of \$107,111 from the Harlem Tavern in Stickney, Ill., the Stockdale Saloon in Forest View, and the old Hawthorne Kennel Club, which was known as a Capone syndicate enterprise. Jack Guzik's father was naturalized on November 5, 1898, at which time he was apparently 10 or 11 years of age and received his naturalization when his father became a citizen. Jack Guzik himself was charged with evasion of income tax for the years 1927, 1928, and 1929. The Government alleged that Guzik's income amounted to approximately \$1,000,000, necessitating a payment in the amount of \$250,000 for the years mentioned. In the prosecution of this case the Federal Government produced evidence showing that Guzik then had an interest in numerous gambling houses in Cicero and Chicago, that he owned stock in the Hawthorne Kennel Club which operated as a dog-racing track. On November 20, 1930, he was found guilty and sentenced to a term of 5 years in the Federal penitentiary and fined \$7,500. Until recent years Guzik has been associated with Hymie "Loud Mouth" Levin in gambling enterprises. Levin was an important cog in the Capone organization during the heyday of Al Capone. Guzik has also been associated with Frank "Chew Tobacco" Ryan, Rocco Fischetti—

The CHAIRMAN. What was that last name?

Mr. PETERSON. He is commonly known as Frank "Chew Tobacco" Ryan. He is a well-known gambler in Chicago for the past probably 30 years, I guess, and his last name is Ryan. Rocco Fischetti, Sam Hunt, and Murray Humphreys also. All of those are well-known syndicate members.

Gus Alex in recent years has become an important figure in the syndicate and has been particularly close to Jack Guzik. He is the son of a restaurant owner. He has been arrested on numerous occasions but has never been convicted or retained in jail for any length of time. In 1944 Gus Alex, age 30 years, 4000 West Washington Boulevard, was arrested, together with Willie Niemoth, in connection with the shotgun wounding of Robert Bock. The arrest was merely one on suspicion, and they were released. In 1943 Gus Alex was reputedly the owner of a gambling establishment at 2136 South Michigan Avenue, in which dice, roulette wheels, and other gambling was conducted. In 1944 it was alleged that Gus Alex, Hymie Levin, Gus Liebe, and others were connected with the notorious gambling establishment called the Dome at 7466 West Irving Park Road. Alex is unquestionably closely associated with the top-ranking members of the syndicate. In 1944 the chief of the Cook County Highway Police had Alex under surveillance at which time he visited the home of Tony Accardo, in River Forest, Ill.

Edward Vogel has also been known as the slot-machine king of Cook County. He has been associated with Capone gangsters for the greater part of three decades. On October 1, 1926, he was indicted, together with Al Capone, the mayor and chief of police of Cicero,

Ill., and many others. They were charged in a Federal indictment with having conspired to violate the prohibition laws. It is claimed that Vogel, among other contacts, did have one George "Babe" Toffenelli, who was the trouble-shooter for Ed Vogel on the south side in connection with slot-machine activities for a number of years. Vogel has been the secretary and treasurer of the Apex Cigarette Service, Inc., 1010 George Street, Chicago.

The CHAIRMAN. What is that company?

Mr. PETERSON. That company has the cigarette-vending machines where you put in 20 cents and get out a package of cigarettes.

The CHAIRMAN. Is that still operating?

Mr. PETERSON. Yes. This company was chartered in Illinois in December 1937. Vogel also has connections with certain other legitimate enterprises that I can give you in more detail perhaps at a later time.

Senator WILEY. What is the estimated amount of money he has in those enterprises?

Mr. PETERSON. Of course, in the Apex Cigarette Service Co. he is one of the principal owners as I understand it, but I can't give you an estimate of the amount of money involved in the enterprises. He is supposed to have—I did have the figure on this one company. I might possibly have it here on a legitimate enterprise. I do not seem to have it with me. On one legitimate thing I think his income was supposed to have been \$10,000 a year.

The CHAIRMAN. You can get the information and furnish it to the committee later.

Mr. PETERSON. That is right.

Another important member is Murray Llewellyn Humphreys, alias J. Harris, known as "The Camel," 7710 Bennett Avenue. Without any question he is one of the leading members of the syndicate. He, together with Tony Accardo and Jack Guzik, have attempted to muscle into the Continental Press according to a statement made by James M. Ragen in 1946, and you will recall that shortly thereafter Ragen was ambushed and shot and later died. Murray's first conflict with the law occurred in 1918 when he was arrested as John Humphreys on a charge of burglary. On a plea of guilty to petit larceny he was sentenced to the house of correction for 6 months. Since that time Humphreys has been arrested on numerous occasions in connection with labor racketeering, gambling, and vice activities. Among the various Capone hoodlums with whom Humphreys has been arrested is Ralph Pierce, who was also a defendant in the movie-extortion trial involving Capone syndicate members.

Humphreys has also been involved in kidnaping. In 1922 Humphreys was associated with the Meadowmoor Dairy. It was also alleged at that time that Humphreys and other hoodlums were attempting to muscle in to a milk-drivers union. In 1932 it was alleged that Humphreys and others were attempting to dominate the teamsters union. In March 1933 Humphreys and Charles Fischetti were taken into custody for questioning with reference to the murder of the secretary of the Hoisting and Portable Engineers Union, local 569. Of course, both denied any implication and they were released. On May 2, 1933, the chief investigator for the State's attorney's office described Humphreys as public enemy No. 1 and the czar of business

rackets in Chicago. It was alleged by the State's attorney's office that Humphreys through his control of certain labor unions had forced the cleaning and dyeing industry and the laundry industry to pay tribute to him. On June 27, 1933, Humphreys was indicted by the Federal grand jury in Chicago on a charge of income-tax evasion. On July 28, 1933, Humphreys, Al Capone, and 22 others were indicted by the Cook County Grand Jury on charges of conspiracy to control the cleaning and dyeing industry and the carbonated beverages and linen supply industries, through kidnappings, strikes, bombings, and acids. Seventeen of the defendants were found not guilty and the charges against Humphreys, Al Capone, and others were stricken off with leave to reinstate by the prosecutor's office. On October 27, 1934, Humphreys pleaded guilty to income-tax evasions and was sentenced to serve 18 months in the Federal penitentiary and was fined \$5,000.

Later in a hearing before the United States Board of Tax Appeals beginning in January 1939 to determine the amount of income tax and penalties owing by Humphreys, testimony was given that in addition to the income received from various sources Humphreys received \$50,000 ransom paid by the milk wagon drivers union for the release of Robert C. Fitchie in 1931. The United States Government was insisting that this \$50,000 be included in Humphreys' income-tax returns. Humphreys was also one of those against whom an injunction was issued in 1940 that I mentioned a short while ago to the Bartenders and Beverage Dispensers Union, Local 278. He was later indicted in connection with this matter, but not convicted.

In 1941 he had an interest in the Individual Towel Co. which at that time had a \$45,000 annual contract with the Chicago Board of Education, resulting in action by the State's attorney's office. In recent years Humphreys has been associated with Guzik, "Little New York" Campagna and many other prominent members of the Capone syndicate. As of 1940 he was an executive of the Midwest Oil Corp. which apparently was dissolved about 1941. He also has been associated with important racketeers in various parts of the country. I mentioned a short while ago the records recovered by the Los Angeles Police with reference to Jack I. Dragna and his lieutenant, Mo Mo Adamo. Among the secret names and addresses of underworld characters found in that address book was that of Humphreys, who was listed as J. Harris, 7701 Bennett Avenue, Chicago. That is the name that his private telephone number also was listed under.

The CHAIRMAN. Mr. Peterson, are you at a place where you can pause for the time being?

(Mr. Peterson's testimony was interrupted while the committee took testimony from William P. Brown, Clayton, Mo. Mr. Brown's testimony is included in part 4 of the committee's hearings.)

The CHAIRMAN. Mr. Peterson's statement will take approximately 4 or 4½ hours more and he has to leave at 5 o'clock tomorrow afternoon; so, much as the committee hates to work overtime and anybody else hates to work overtime, we will have to go on for 30 minutes this afternoon.

The committee is very much interested in your full statement, Mr. Peterson. We will resume in about 5 minutes.

(Brief recess.)

The CHAIRMAN. All right, Mr. Peterson, if you will carry on.

FURTHER TESTIMONY OF VIRGIL W. PETERSON, OPERATING DIRECTOR, CHICAGO CRIME COMMISSION, REPRESENTING THE AMERICAN MUNICIPAL ASSOCIATION

Mr. PETERSON. The next individual of importance in the Capone syndicate is Ralph Pierce. He was indicted also by the Federal grand jury in New York City with Paul Ricca, Phil D'Andrea, Nitti, and the others in connection with the movie extortion. Pierce, incidentally, was one of those acquitted. He was indicted for kidnaping in Chicago in 1929, and that case was nol-prossed. He was also one of those arrested in 1935 as a suspect in the murder of Thomas Malloy, boss of the motion-pictures operators' union in Chicago. He was also arrested in 1943 as a suspect in the Estelle Carey murder case in Chicago and in 1945 was arrested for questioning in connection with the murder of James "Red" Forsythe, a notorious hoodlum. He was released in each of those instances. Pierce has been known as a bodyguard for Murray "The Camel" Humphreys and is an associate of Sam "Golf Bag" Hunt, both of whom are stalwarts in the Capone organization. In the past he has spent a large amount of time at Russell's Silver Bar, 400 South State Street, Chicago, operated by Harry Russell, a big shot in the gambling set-up in Chicago and more recently in Florida.

Another individual is Fred Evans, 5000 Marine Drive, Chicago, who was sometimes regarded as the financial brains of the Capone gang. He is an associate of many of the most important members of the Capone outfit, including Nitti, deceased leader of the gang, Murray Humphreys, Paul Ricca, and Louis Campagna. He, Evans, was indicted with these men and Louis Romano and Thomas Panton in 1940 on a charge of conspiracy in the bartenders' union that I mentioned previously. He was not convicted. Evans was born in November 1898 in St. Louis, Mo. It is claimed that he graduated from the school of architects and engineering at the university. In 1923 he operated a garage at 1214 Jackson Boulevard, Chicago, with Murray Humphreys. In 1924 he began operating the Evans Co., at 311 Curtiss Street. Information was received some years ago that Evans was one of several hoodlums who were attempting to gain control of the dry-cleaning industry. It was claimed in particular that Evans had muscled into the Ruby Cleaners, 2801 West Montrose Avenue, Chicago. In 1947 it is known that Evans claimed to be the owner of the establishment. Information was also secured to the effect that Humphreys was a partner of Evans in this enterprise. From 1934 to 1937 Evans was connected with the Equipment Loan & Discount Corp.

On August of 1937 this corporation was merged with the Security Discount Co., 1000 North La Salle Street, Chicago, which Evans was operating at late as 1947.

Another important figure in the Capone syndicate, going away back to the beginning, was Rosso De Grazio, alias Rocco De Grasse, alias Rocco De Grazia, and his brother, Andrew De Grazio, who were operators of the Lumber Gardens, 161 North Twenty-fifth Street, Melrose Park, Ill. Wide open gambling operations have taken place at this establishment for many years. They recently just built a large addition to it. A few years ago Rocco and Andrew De Grazio

were indicted in Federal court in connection with a narcotics charge. In 1935 when Rocco De Grazio was convicted of income-tax evasion he admitted he was operating 18 handbooks, many of which were in Melrose Park, Ill., and he paid \$1,200 per month for protection. In 1931 Rocco De Grazio was the leader of the Capone organization in the north and west suburban sections of Chicago. In connection with De Grazio's income tax evasion case, when he was being charged with income-tax evasion, Federal agents seized him at his home at 1049 North Elwood Avenue, Oak Park, Ill., in 1934. The Government claimed then that De Grazio had an income over \$97,000 in 1929, \$51,000 in 1930. In 1946 Rocco De Grazio was believed to have an interest in Rocco Fischetti's Vernon Country Club, a lavish gambling establishment at Deerfield, Ill. In recent years in addition to operating the Lumber Gardens in Melrose Park, he has been in control of the syndicate's football pool operations in Cook County.

Nicholas De Grazia, 121 Twenty-second Avenue, Melrose Park, Ill., has been another important figure in the Capone syndicate's gambling operations. As early as 1932 the press reported that Rocco, Andrew, and Nick De Grazia were in control of slot machines for the syndicate in the western suburbs. On September 25, 1932, a doorman to a road house located on Lake Street west of Mannheim Road was killed. The owner of this place would not allow slot machines in his place and the press alleged that the slaying was intended to intimidate the road house owner. On December 22, 1943, Nick De Grazio appeared as a witness for a defendant in a rape case. He admitted he operated a pool hall owned by his brother and that he was a poker dealer. The De Grazios are important figures in the Capone organization.

Sam "Golf Bag" Hunt, whose real name is Samuel McPherson Hunt, has been closely associated with many prominent members of the Capone syndicate including Murray Humphreys, Ralph Pierce, Jack Guzik, Charles Fischetti, and others. Beginning in 1943, following the gang killings of Danny Stanton and Martin "Sonny Boy" Quirk, Sam Hunt became the generalissimo of Chicago's South Side gambling racket. An important lieutenant of Hunt on the South Side is Hyman Gottfreed.

Hunt has been prominently identified with the underworld as a gunman for many years. As an interesting sidelight as to how he got the name, in May 1930 Sam Hunt was arrested in the State's attorney's office as a member of a shotgun squad that kidnaped and wounded a man at Berwyn and Ashland. Hunt was found at the scene with a discharged shotgun in a golf bag. He had been pulled off the automobile that was carrying the victim away. Although indicted on a charge of carrying concealed weapons, the case was nolle prossed by the State on April 10, 1931. He was arrested many times afterward on a charge of carrying concealed weapons. Once in 1933 he received a sentence of 1 year in the House of Correction on a concealed weapons charge. Hunt has been arrested by the police on several occasions following gang slayings but has never been successfully prosecuted. In 1942 Hunt was involved in an automobile accident. An argument followed and the driver of the car was shot and killed. Hunt was wounded. Hunt was indicted for murder and his chauffeur, Hyman Gottfreed, alias Hy Godfrey, was indicted as an accessory. After four trials, Hunt was found not guilty on January 11, 1943. As of 1944, Sam Hunt was allegedly an official

of the Drexel Wine & Liquor Co., Thirty-ninth and Cottage Grove Avenue. At that time he lived at 1722 East Seventieth Street, Chicago. As of 1941 he was vice president of the Cook Oil Co. As of 1944 he had addresses at 2233 East Sixty-eighth and 1722 East Seventieth Street, Chicago. His draft card in 1944 which was found on him when he was arrested carried the address of 5123 University Avenue. In 1946 Hunt had an interest in a tavern at Sixty-third and Cottage Grove Avenue, Chicago.

Another individual who has come to the forefront particularly in recent years in Sam "Mooney" Gincanna, 1147 Wenonah Avenue, Oak Park, Ill. In February 1945 he was arrested with Tony Accardo, top-ranking man of the syndicate, and one Daniel Beneduce, of 4259 Gladys Avenue, Chicago, as suspects in a kidnaping. They were released on February 14, 1945, Gincanna gave his age as 36 years and his residence address as 2822 Lexington, Chicago. He was born in Chicago July 16, 1908. About two decades ago he was a member of the notorious "42 Gang." He has a long criminal record. His last sentence being pronounced October 30, 1940, for violation of the Internal Revenue Act. He was given a conditional release from the Federal prison at Terre Haute, Ind., in December 1942. When he registered for the draft in World War II Gincanna gave his occupation as that of a salesman for the Central Envelope & Lithographing Co., 426 South Clinton Street, Chicago. This company incidentally is owned by his brother-in-law, M. R. DeTolve, president of the company. He was rejected for military service. He has operated handbooks on the North Side of Chicago and has been the owner of the Boogie Woogie Club, 1709 West Roosevelt Road, Chicago. He is known as a gunman and dangerous. As I said before he has been associated in business activities with Tony Accardo.

Ralph O'Hara is a man who, when the Capone organization formed a Nation-wide news service for racing information in competition with the Continental Press, was virtually the manager of the service. This organization was known as, as I said before, I believe, the Trans-American Publishing & News Service, Inc. On June 13, 1947, O'Hara publicly announced with reference to the Trans-American "We are going out of business. It has been a losing proposition and we can't continue it * * *."

O'Hara was formerly associated with Thomas Malloy in the moving-picture operators union. He was indicted by a Federal grand jury in Chicago in January 1935 as a result of a perjury committed before a grand jury investigating the income tax of Malloy. On July 30, 1931, O'Hara was indicted by the Cook County grand jury on a charge of conspiracy. It was alleged that from June 1, 1928, to the date of indictment, O'Hara had conspired with others to get applications for moving-picture operators through the department of moving picture operators and gas and electricity of the city. No witnesses could be produced and the case was then dismissed. In 1922, O'Hara was business agent for the Chicago Federation of Musicians. He was closely associated with "Big Tim" Murphy, a notorious gang leader. When Big Tim Murphy was sent to Leavenworth Penitentiary after conviction in a mail robbery case, the press reported that O'Hara was collecting \$500,000 in an effort to secure the release of Murphy from prison. Murphy was sentenced in April 1933. At that time O'Hara

was working for Thomas Malloy in the Motion Picture Operators Union, which the press described as a \$750,000-a-year racket. On March 2, 1933, Ralph O'Hara shot and killed Fred Oser in the office of the Motion Picture Operators Union, 506 South Wabash Avenue, Chicago. O'Hara was then indicted but won a directed verdict on June 7, 1933. On February 4, 1935, Thomas Malloy was shot and killed in one of our gang killings in Chicago. The press alleged that he was killed by the Capone gang in order to take over the Motion Picture Operators Union. A short time later Ralph O'Hara became head of the Motion Picture Operators Union of Chicago, Local 110. In recent years O'Hara and his wife spent some time in some of our big hotels down in Chicago.

Another important individual who apparently has had a falling out after the Moving Picture Operators Union, but his name should be remembered, is Nick Circella, alias Nick Dean. He was implicated in the million-dollar movie-extortion case along with the other Capone gangsters. He has been released from Federal penitentiary. He has a brother, August Circella, who has been proprietor of gambling establishments in Chicago. In recent years August Circella owned and operated the Gold Coast Lounge, on North Rush Street. Book-making operations were in progress there under his ownership. Several years ago August Circella was one of the owners of the notorious Colony Club on Chicago's North Side. This was a night club which featured big-time gambling. Circella has recently been interested in an air-conditioning unit for which he owns the patent rights.

Phil D'Andrea, who supposedly is in bad health now, formerly the bodyguard for Al Capone, was convicted along with the other Capone gangsters. Released on parole in 1947. At the time Capone was prosecuted for income-tax evasion he was sentenced for contempt of court for carrying weapons in the Federal courtroom. He served 6 months on that charge. In 1932 he was arrested at the Planters Hotel with Frank Rio, Capone's Philadelphia cellmate, Paul Ricca and Michael Costello. In recent months he has been living in California, I believe it is Tarzana, Calif. I think he has a filling station out there.

We reach Al Capone's brothers, Ralph, John, Albert, and Matthew—Ralph and John have been the most active insofar as racketeering activities are concerned. Ralph Capone, brother of Al, was born in Italy in 1894 and brought to the United States when he was about a year old. He claims that he is a citizen. During the 1920's and 1930's Ralph Capone was associated with Al in the operation of gambling houses, houses of ill fame, illegal liquor traffic, and other forms of racketeering in Chicago and Cicero. Ralph Capone spends a large amount of time in Mercer, Wis., where he is said to own a tavern and summer resort. On April 29, 1926, Ralph Capone and Charles Fischetti were arrested in Cicero, Ill. On May 27, Al Capone, Ralph Capone, Charles Fischetti, and other individuals were charged with conspiracy to violate the National Prohibition Act in Chicago. He has been arrested on numerous occasions which include one by the New Orleans police in 1928, by the Memphis, Tenn., police in February 1928. In 1929 the Federal grand jury charged Ralph Capone with failure to pay income taxes—November 1, 1929. There were four counts in the indictment. Another Federal indictment was returned on January 31, 1930, growing out of his efforts to swindle, cheat, and defraud the United States Government. During the court hearings

the Government produced evidence showing that Ralph Capone maintained five separate accounts at the Pinkert State Bank, Cicero, Ill., under the names of Ralph Capone, James Costello, Jr., James Carson, James Carter, and James Carroll, and that he had deposited in these accounts approximately a half million dollars.

The defense attorney represented Ralph Capone as a race-horse man and bookmaker. On May 8, 1930, the Federal prohibition agents raided the Cotton Club, 5340 West Twenty-second Street and the Monmartre Cafe, 4835 West Twenty-second Street, both Cicero, Ill., and alleged that these places were owned by Ralph Capone. Ralph Capone surrendered on May 9, 1930, through the advice of his attorney, Joseph Lustfield. In May 1931 Ralph Capone was allegedly operating the Casanova Club, 1025 North State Street, Chicago, Ill. With reference to the Federal income-tax violation Ralph Capone received a sentence of 3 years in a Federal penitentiary and a \$10,000 fine in one case, a similar sentence in a second case and a year in the Cook County House of Correction and a \$10,000 fine in the third indictment. Ralph Capone's conviction was upheld when the case was appealed. He returned to Chicago after having served his Federal sentence on February 27, 1934. Although he was not officially implicated in the movie extortion case the Chicago press reported on June 29, 1942, that the president of the Chicago Motion Picture Operators Union was to testify in New York City on the following day regarding statements made by him concerning payments made by the union to the Capone syndicate. It was said that the syndicate maintained an iron-hand control over the Chicago union and that the president of the union had been handing envelopes containing money for a long period of time to Nick Circella alias Nick Dean, and later to Ralph Capone.

On February 29, 1943, it was reported that Abraham Teitlebaum, Ralph Capone's attorney, had advised the United States marshal that Ralph Capone might surrender in order that a subpoena could be served on him with reference to the New York extortion trial. It appears that he did proceed to New York City and was grilled by the grand jury in connection with that case. About 1930 it was rumored that Ralph Capone then owned an interest in the Grand Central Surety Co., a bail bond company which signed bonds for numerous well known hoodlums in Chicago, such as Tony Accardo and other members of the Capone syndicate. In recent years Ralph Capone has been very influential in the vicinity of Lyons, Ill. He has exerted a considerable amount of political influence there.

John Capone, another brother of Al Capone, at one time resided at 5400 South Park Boulevard. It is stated that John Capone married an ex-dancer from Atlanta. John Capone is a friend of Pete Tremont, big-shot policy racketeer on Chicago's South Side, and is also a friend of Joe Fusco of Gold Seal Liquors, Inc. Fusco was very closely affiliated with Al Capone many years ago. Some time ago it was claimed that John Capone was a salesman for the Citizens Beer, Joliet, Ill., a brewery which makes beer that is sold by the Canadian Ace Brewing Co., formerly the Manhattan Brewing Co. In recent months John Capone has been associated with Herman Kiefus, who has been very active in gambling activities on the South Side. On July 18, 1932, John Capone, then 29 years of age, was arrested with his bodyguard who at that time was Rocco Fischetti. The arrest occurred at Wabash Avenue and Congress Street. At the time of the arrest \$4,300 in

cash was found on the person of John Capone, who claimed he had been spending most of his time in Florida and denied any knowledge about the Capone syndicate.

Albert Capone, another brother, has had his name legally changed in Miami to Albert John Rayola. He has resided at 1927 North Normandy in Chicago. There is no indication he has been active in rackets in Chicago and in fact indications are to the contrary. However, he is a friend of Willie Heeney, one of the old time Capone syndicate operators in Cicero.

Matt Capone formerly operated a tavern called the Hall of Fame, 4839 Ogden Avenue, Cicero, Ill. John Larisen, a gambler and a doper of race track horses was shot and killed in the Hall of Fame tavern a few years ago. Matt Capone became a fugitive for a time and later the case was dismissed against him with reference to this murder.

Other members of the Capone family include Mafalda, a sister, who is married to John Maritote, who is a brother of Frank Maritote, commonly known as Frank Diamond, who was also involved in the million dollar extortion plot on the movie industry. Frank Diamond was sentenced to the penitentiary in 1943.

Joseph Peskin, alias Sugar Joe Peskin, 7625 Essex Avenue, Chicago, Ill., has been associated with members of the Capone syndicate and is one of the biggest juke box operators in Chicago. His company is known as the Universal Automatic Music Corp., 1506 East Sixty-seventh Street, Chicago, Ill. During the prohibition era Peskin operated the J. P. Food Distributors, Inc., 4446 South State Street, which was ostensibly a wholesale grocery but actually was used to buy corn sugar and other products needed in the manufacture of alcohol. When Peskin and others were indicted for conspiracy to violate the national prohibition law the Government contended that Peskin during that time was furnishing 100 stills with corn sugar for alcohol and it is alleged that a million dollars worth of corn sugar had been sold to alcohol manufacturers by Peskin. In connection with these activities Peskin was associated with individuals who were known to be close to the Capone syndicate.

Sometime after 1933 Peskin entered the juke-box business. In September 1941 Peskin was arrested on charges of disorderly conduct growing out of a slugging of Lionel M. Nathan, who had been employed by Peskin. Sometime prior to September 21, 1941, Lionel Nathan and Albert Chapman, also an employee of Peskin, had left Peskin's employ and formed a partnership. They bought 150 juke boxes which they distributed and took about 70 spots away from Peskin. Nathan was then slugged in front of his home at 6747 Clyde Avenue, Chicago. Nathan blamed Peskin for the slugging but later repudiated same, and the case was dismissed. Peskin admitted to the police, however, that he had made a threat to Nathan that he would "cut his throat" but claimed he meant it only in a business way. Peskin at the hearing denied the assault and stated:

This thing is bum publicity for me and no good for the industry. These men did work for me and did take some spots away from me. This is not allowed by the union, and with the union's help I have gotten back all 50 of the 50 spots they took.

With reference to juke boxes generally in Chicago, the Loop area has been controlled by the Century Music Co., which was originally under the domination of Denis Cooney; Capone's syndicate vice man-

ager of the first ward. Later Fred Morelli, once Cooney's bookkeeper, then became head of Century Music Co. In 1941 the press reported that on the North Side and in the northwest suburbs the juke-box industry was under the control of Eddie Vogel, an important Capone syndicate member. In order to prevent juke-box operators from stealing each other's customers they formed an association known as the Illinois Phonograph Owners Association, and officers of this association several years ago were Danny Pallagi, associated with Fred Morelli of the Century Music Co., Joseph Mahoney, associate of Eddie Vogel and Joseph Peskin. As late as 1946 Joe Peskin was reported to be the juke-box-syndicate boss of Chicago. When an attempt was made to start in business in competition with the syndicate it would fail, because the new operators could not get a union label on their machines from the electrical workers' union. In 1947 it was estimated that Joe Peskin of Universal Automatic Music Corp. had about 900 juke boxes placed on location. These boxes were in Chicago—except in the first ward, where the Century has the monopoly—Cicero, Argo, Calumet City, in Illinois, Hammond, Indiana Harbor, and Whiting. In 1947 on financial records Peskin listed the name of his company as the Chicago Automatic Music Co. In 1948 Peskin was a distributor of juke boxes under the name of the Automatic Music Instruments Co. in States of California, Nevada, and Washington. It was claimed that this territory was secured through the assistance of Frank Garnet, a son-in-law of Jack Guzik, the one-time business manager of the Capone syndicates operations. Frank Garnet has also been operating juke boxes as a distributor in Los Angeles. Peskin's principal office for juke-box distribution in southern California is located at 2663-67 West Pike Boulevard, Los Angeles, where he did business under the name of J. Peskin Distributing Co.

Another important syndicate man is Rocco De Stefano, alias Rocco Nicholas De Stefano. He allegedly owned a home at 5352 LaGorce Drive. I am not sure whether that is in Miami or Miami Beach, Fla. Until November 24, 1947, at which time he apparently sold the home and transferred title to Joseph P. Bergl.

De Stefano has come into prominence recently as an affiliate of such well-known members of the syndicate as Joe Fusco, vice president of Gold Seal Liquors, Jack Guzik, and Charles and Rocco Fischetti. De Stefano controls a chain of retail liquor stores in which Fusco is supposed to have an interest or did have an interest.

Rocco De Stefano and others were indicted February 24, 1936, in Cook County on robbery charges wherein the loot was totaled at \$75,000. On May 29, 1936, the charges against De Stefano were nolle prossed on the grounds that there was not sufficient evidence of identity as to the robbery but that he probably did assist in disposing of the stolen goods. This evidence was not considered sufficient to sustain a conviction. In July 1938 Rocco De Stefano, his father, Michael, and others were arrested by the State's attorney's police for failure to pay over \$14,000 in sales taxes for 15 months. It was further charged that the operation of the United Liquor Stores, Inc., the company had failed to pay the State sales tax since 1934 and owed a delinquency of \$50,000. On August 21, 1941, the State's attorney of Chicago charged that Rocco De Stefano together with Harry V. Russell, prominent handbook operator, Peter Tremont, policy operator, Patrick Manno, policy operator, Max Caldwell, Mil-

ton Schwartz, and Maurice Margolis, had helped spend \$910,000 looted from the treasury of local 1248, Retail Clerks Protective Association, union funds. No indictments were returned, however, and no further action was taken. Rocco DeStefano has had his name linked with that of Guzik, Charles and Rocco Fischetti, and other hoodlums as being friends of these persons.

Peter G. Tremont owns property in Miami Beach with Ralph Buglio and was associated with Max Caldwell. He is one of the big-shot policy racketeers on Chicago's South Side. In 1942 he was indicted along with other important members of the policy racketeers, namely, Julius Benvenuti, Edward Jones, George Jones, McKissick Jones, Pat Manno, Julian Black, and numerous others by the Cook County Grand Jury. This indictment charged conspiracy to operate a policy game.

On June 17, 1942, there was a finding of "not guilty" as to Tremont and other individuals indicted. Peter Tremont has operated in Chicago the Silver Wheel, the Ditto Wheel, and the Rome Wheel. He is a big automobile dealer on Chicago's East Side, too. I have the address in some of my other notes here.

Pat Manno, alias Patrick J. Manning, has been in the policy racket in Chicago for many years. He was indicted by the Cook County Grand Jury on January 30, 1942, as I mentioned a few moments ago, with others for conspiracy to operate policy rackets. He was found not guilty on June 17, 1942. The Texas Times Herald, Dallas, Tex., on December 19, 1946, linked Pat Manno with others in an effort by Chicago gangsters to take over \$14,000,000 annual gambling and racket concession in Dallas County. Dallas authorities never arrested Manno, although others were arrested. It was charged by the State's attorney's office in Chicago on August 21, 1941, that Pat Manno together with the others that I mentioned a few moments ago had attempted to loot or actually spent a large amount of that \$910,000 from the Retail Clerks Protective Association. On September 18, 1925, Pat Manno was arrested on a charge of disorderly conduct and placed on probation for 1 year. It is understood that Pat Manno has been in association with a number of nationally known gangsters at hotels in Miami Beach, Fla., during the past season, and that Manno also owns a residence at 5812 Pinetree Drive, Miami Beach, Fla., which is in his wife's name, Dorothy Manning. Pat Manno also has listed as his permanent address 1439 North Franklin Street, River Forest, Ill.

Lawrence Imburgio, alias Hindu, is the brother of Joseph Imburgio Bulger, former mayor of Melrose Park, Ill. You will recall that Bulger's name was used by Tony Accardo in gaining entrance to the Federal penitentiary to visit Capone mobsters whose parole created a national sensation. As a result, Accardo and attorney, Eugene Bernstein, were indicted by the Federal grand jury. Lawrence Imburgio, while himself not active recently, was reputed to be a muscle man in the Capone mob, was very active in helping the gang muscle into union rackets and later represented the Capone syndicate in the operation of handbooks. He was in partnership in one gambling joint with Tony Accardo. On June 26, 1931, Lawrence Imburgio was arrested in a roadhouse near Wheaton, Ill., in company of Claude Maddox, Tony Capezio, Rocco De Grazio, and Doc Stacey. At that time they were charged with violation of the National Prohibition Act.

Last reports were to the effect that Imburgio was suffering from Burger's disease, which has incapacitated him.

Lester A. Kruse, alias Leslie Kruse, alias "Killer" Kane, has been actively associated with members of the Capone syndicate and has also been prominently identified with racing news service activities. In March 1943 Lester Kane, who gave his address at that time as 2437 Greenleaf, was arrested with Ralph Pierce, 6514 South Morgan Street, for questioning in connection with the murder of Estelle Carey. Estelle Carey was once the dice girl employed by Nick Circella, alias Nick Dean.

The CHAIRMAN. What did you say about Lester Kruse just a minute ago?

Mr. PETERSON. Lester A. Kruse, alias Leslie Kruse, alias "Killer" Kane, has been actively associated with members of the Capone syndicate and has also been prominently identified with the racing news service activities.

The CHAIRMAN. Is that the same person mentioned by Mr. Brown that he bought his stock from?

Mr. PETERSON. I was under the impression that that was who it was. I would hate to say that definitely, but it could very well be. This Lester A. Kruse, the fellow I am talking about, on April 26, 1940, a Federal grand jury returned three indictments before Federal Judge James A. Wilkerson, naming Western Union and 18 gamblers and horse-race-news distributors as operators of schemes to take over the lucrative racing information business abandoned by Moe Annenberg. Named in the first indictment were Arthur V. McBride, of Cleveland, head of Yellow and Zone Taxi Cab Co.'s of that city; James M. Ragen, Sr., Lionel C. Lance, formerly of Chicago and now operating in Cleveland, a nephew of Mont Tennes; Thomas F. Kelley, Cleveland, a brother-in-law of McBride and former Baltimore manager of Nationwide; Thomas J. Ryan; alias Frank Walsh, New York City, formerly in charge of Consolidated News Service, then operating in Hoboken and New York; Morris Wexler, alias "Mushy" Wexler, of Cleveland, associate of McBride; Russell Brophy, Los Angeles, son-in-law of Ragen; Alfred Goodman, Chicago, former Nation-wide representative in Houston, Tex.; William G. O'Brien, alias William Keough, Chicago, former Nation-wide representative in the Southeast with headquarters in Miami; William Molasky, St. Louis, indicted with Annenberg on tax charges, formerly associated with Pioneer News Service in St. Louis; Morris Kopit, St. Louis, gambler and associate of Molasky.

These persons were charged with conspiring to violate the Federal lottery laws by distributing price lists across State lines. The Government interpreted pari-mutuel betting odds and racing results as lottery price lists and alleged these defendants conspired to decentralize Nationwide News Service and take over its business through the formation of Continental Press Service of which Arthur McBride was then director. Western Union provided the technical equipment.

The second indictment alleged that four men, Frank J. "Chew Tobacco" Ryan, Hymie "Loud Mouth" Levin—I think that should have been Jack—Harry "Greasy Thumb" Guzik, the owners of the 400 Club at 29 West Randolph, and Maurice L. Goldstein operated an unlicensed radio-broadcasting station in violation of the Federal Communications Act in 1934. Specifically this broadcasting station

was said to be a highly technical wire-tapping service, sending out radio signals.

The third indictment named Edward M. Dobkin, Cornelius J. Sullivan, James Rossi, alias James Ross, all Chicago gamblers, and charged them with receiving Continental Press News and distributing it from the Victoria Hotel to numerous bookies.

The Federal grand jury returned an indictment charging the following violated the Federal Communications Act: Jack Guzik, 7240 Louella; Leslie A. Kruse, alias Kane, 5206 Oakton Street, Niles Center; Maurice L. Goldstein, alias M. L. Goldie.

The offense charged in the indictment was described as follows: Guzik and Kruse financed a scheme whereby miniature broadcasts were used to carry racing information to the 81 Club and so on.

I am inclined to think that is the same fellow.

The CHAIRMAN. Mr. Brown?

Mr. SHENKER. Mr. Brown isn't here. Mr. Brown left before the name was mentioned, or I would have had him stay. It is my impression that the man he bought it from is Arnold Kruse, but I wouldn't say for sure.

Mr. PETERSON. This man's name is Lester A. Kruse. I don't know whether the "A" stands for Arnold or not. I can check it through our files.

The CHAIRMAN. Will you check it?

Mr. PETERSON. I will be glad to do that when I get back.

The CHAIRMAN. Would you say Mr. Annenberg and Mr. Molasky were jointly indicted on income-tax evasion?

Mr. PETERSON. No. On the income-tax evasion I am inclined to think they were on that. I would have to check that, though. This doesn't have to do with income tax, however. This has to do with allegedly setting up this racing news service to take over the old Annenberg regime. This is back in 1940.

The CHAIRMAN. I think you either told me or you stated somewhere that Mr. Annenberg and Molasky were indicted for income-tax evasion.

Mr. PETERSON. I think that may be correct, but I don't know that I have that. I have that in another paper here, I am sure, but I do not have it with me.

The CHAIRMAN. All right. Then that is the same Mr. Annenberg that gave Mr. Molasky 22½ shares of Pioneer News Service for \$1, I believe. You may proceed, Mr. Peterson.

Mr. PETERSON. In 1944 information was received that Leslie Kruse lived at 4300 Marine Drive. He was also alleged to be the owner of the Turf Club, Touhy and Western Avenues, a gasoline station across the street from the Turf Club, and a two-flat building in Skokie, Ill. In 1948 investigators observed Gus Liebe and "Killer" Kane on duty as floormen at 4819 West Roosevelt Road where three dice games were being operated. Gus Liebe has been a manager for numerous gambling joints. Lester Kruse is the officer of the Nu-Way Beer Coil Service, 635 North Kennedy Avenue.

Charles Gioe, a well-known member of the Capone syndicate, who was also indicted in the movie extortion trial and convicted, lived at the Seneca Hotel, Chicago, and had an office in a building at 145 North Clark Street before he went to the penitentiary. He was released on parole in 1947 and it is still pending. He is still on the outside, but

the litigation is still pending as to whether or not he will have to return in accordance with the decision of the court in New Orleans.

Ralph Buglio, who owns property in Miami Beach, together with Peter G. Tremont and others, is also a well-known syndicate gangster. On February 11, 1933, Frank DeMere, 26 years of age, residing at 7118 South Seeley Avenue, Chicago, was shot outside the Plantation Cafe, a Black and Tan restaurant at Fifty-first and Michigan Avenue, Chicago. Ralph Buglio, who was referred as a former Capone gunman, was sought for the shooting. The police learned that Ralph Buglio and DeMere had been in the Plantation Cafe just prior to the shooting. DeMere approached Buglio and asked him to go outside for a conference and a few minutes later the shooting occurred. In January 1937 DeMere had shot and killed William Stanley, a Negro, after Stanley had slain Frank Buglio, a brother of Ralph.

In 1922 indictment No. 27678 was returned by the Cook County grand jury charging Ralph Buglio, Abe Rosenthal, and Mary Duff with burglary. On September 16, 1922, probation was granted to the defendants. Ralph Buglio's name was also mentioned in connection with the gang killing of Maurice Enright. It appears in this case that the killers borrowed the automobile, in which they were transported to the place of the killing, from Buglio. This killing was in connection with the street-cleaners union.

Joe Fusco, designated several years ago as a public enemy, during the prohibition era was a principal lieutenant in the Capone syndicate, handling the manufacture and distribution of illicit beer. He is presently suspected of being the respectable front in the liquor industry for the syndicate. He is vice president and general manager of the Gold Seal Liquors, Inc. He is also a stockholder and director of the Citizens Brewing Co., of Joliet, Ill., in affiliation with other members of the Capone mob. It has been stated that the syndicate owns or controls at least 17 percent of the retail liquor stores in Chicago. That is merely an estimate, of course. In addition, Fusco admits ownership of three other wholesale distributing houses for liquor. On June 12, 1931, Fusco was indicted with Al Capone and other members of the Capone mob in Federal court, totaling 69 defendants, charged with liquor conspiracy. The indictment was dismissed after Al Capone was convicted of income-tax evasion and sentenced to the Federal penitentiary. On June 7, 1934, when he was arrested, he was in the company of Matt Capone, Ralph Capone, brothers of Al, and Denis Cooney, who was a powerful figure in the Capone syndicate.

Harry Russell, proprietor of the Silver Bar, 400 South State Street, Chicago, is a big-time gambler with affiliation with some of the most important members of the Capone syndicate. Several months ago it was alleged that Harry Russell had "muscle" into the S. & G. Syndicate, Miami Beach, Fla. Harry Russell, together with his brother Dave Russell, operated a handbook at 186 North Clark Street, Chicago. At one time Tony Accardo, the top-ranking member of the syndicate, was in partnership with him.

Another man in the syndicate, Ralph Cavaliera, alias Armie, 2815 Dickens Avenue, Chicago, was a close associate of Dago Lawrence Mangano at the time of Mangano's death in 1944. Mangano was an important figure in the Capone syndicate. At the time of Mangano's death he was riding in a car owned by Cavaliera. Information has been received to the effect that Cavaliera has operated as a front man

for the Capone syndicate and operated Barbout games in the Halsted-Blue Island area. He lost an arm in an automobile accident several years ago, which gives rise to his nickname "Armie."

The Cicero contingent of the Capone syndicate is one of the most important. Cicero has long been the headquarters for the Capone gang. Among the most important syndicate members operating out of Cicero at the present time are Joseph Aiuppa, Claude Maddox, Joseph Corngold, and Willie Heeney.

Joseph Aiuppa, alias Joe O'Brien, is allegedly one of the owners of the Taylor Manufacturing Co. in Cicero, Ill. This company—

The CHAIRMAN. Mr. Peterson, where is Cicero with reference to Chicago?

Mr. PETERSON. Cicero is southwest of Chicago, approximately 8 miles.

The CHAIRMAN. It is a separate municipality?

Mr. PETERSON. A separate municipality. It begins at Cicero Boulevard or Avenue, which is about 48 blocks west. Then it is further south. I believe it goes farther north than Roosevelt Road.

The CHAIRMAN. How large a city is it?

Mr. PETERSON. About 70,000 people. It is a pretty good, substantial city.

The CHAIRMAN. Some of these fellows have been city office holders in Cicero?

Mr. PETERSON. Oh, yes. Going back again a long time in 1924, that is when I think I mentioned this morning they actually took over the town out there in an election, manned it with machine guns, and that sort of thing. That is when Frank Capone was killed. Just recently, however, in 1948, John C. Stofel became the village president out in Cicero and was doing a very excellent job. He is a prominent businessman. He appointed, as chief of police, Joseph Horejs. Joseph Horejs was put in by Stofel for the purpose of enforcing the law. He did an excellent job for a few months, and then there was so much pressure brought that Stofel was forced to resign. They forced the chief of police out, as a matter of fact. They changed the ordinance to read differently than it had before, which took his control over the chief of police. So Stofel resigned rather than keep the responsibility, powerless to act. Now, of course, nobody can prove that that was the Capone syndicate, but there was certainly a lot of influence there on the part of people who didn't want the town closed up. That is very obvious.

The CHAIRMAN. How long before you will come to another chapter?

Mr. PETERSON. I can quit any time.

The CHAIRMAN. It is very interesting and most useful. I see you have about three more pages on Chicago.

Mr. PETERSON. I said that Joseph Aiuppa was allegedly one of the owners of the Taylor Manufacturing Co. in Cicero. This company manufactures or supplies gaming-house equipment to gambling houses throughout the Nation. It ships a considerable amount of equipment to Nevada and other places. Claude Maddox, a public enemy and the member of the Capone syndicate, is also allegedly associated with Aiuppa in the Taylor Co. In other words, they get you coming and going. They manufacture the equipment and then operate it. On July 5, 1945, Joe Aiuppa was fined \$50 on a charge of accepting horse-race bets, by a justice of the peace in the Willow Springs court. Aiuppa

and two others were arrested for operating a handbook in the Post Time Tavern, 4824 Cermak Road, Cicero. Aiuppa was also arrested in connection with the slaying of James D. Larrisen, on April 7, 1944, in the tavern of Matt Capone. Recently Aiuppa has been allegedly operating the Turf Club and Paddock Lounge, Cicero, gambling joint. He is considered to be one of the right-hand men of Tony Accardo, who is now rated as one of the real big shots in the syndicate.

Claude Maddox has been a prominent member of the syndicate for many years. It will be recalled that both Maddox and Tony Accardo were both sought as suspects in connection with the St. Valentine's Day massacre in February 1929. Maddox originated from St. Louis, Mo., where he was convicted for burglary on August 5, 1919. The following year he was convicted for robbery in St. Louis, Mo. He has been considered one of the most important syndicate members in Cicero for many years.

Willie Heeney has likewise been prominently identified as a member of the Capone syndicate for a long time. He has been the part owner of the El Patio gambling place at 5914 West Cermak Road, together with Joe Corngold. "Little New York" Campagna admitted having an interest in and receiving huge sums of money as his share from the proceeds of this establishment. I believe Willie Heeney admitted that "Little New York" Campagna got 60 percent and Corngold got 15 percent from the Cicero "joints." Heeney was arrested in 1926 as a suspect in the murder of an assistant State's attorney in Chicago. Willie Heeney was known to be a contact man for the Capone syndicate with St. Louis hoodlums. In fact, Heeney was prominently mentioned in the congressional investigation of the parole of Paul Ricca and other members of the Capone mob.

In fact, it was brought out that Heeney was one of the men who handled the contact with State Senator Brady and Attorney Paul Dillon of St. Louis on behalf of efforts to obtain paroles for Ricca, Campagna, Gioe, and D'Andrea of the Capone gang.

Another member, John Patrick Borcia—that I believe I mentioned briefly before—alias John Borey, has been very closely associated with many prominent members of the Capone syndicate. He is a close friend of Tony Accardo, and was also closely associated with Nick Circella, alias Nick Dean, one of the Capone gang members convicted in the extortion case. Borcia has a criminal record and was paroled May 14, 1941, from the Auburn State Penitentiary in New York. In recent years he has operated the Primrose Path, 1159 North Clark Street, Chicago, and in recent months has operated a place called the Primrose Bar in Los Angeles. The premises on which the Primrose Bar in Los Angeles is located were previously owned by Jack Dragna, notorious west coast gangster who operated a vice resort upstairs. It is known that a burglary gang has hung around the Primrose Bar in Los Angeles. Information has been developed indicating that gunmen who have been involved in some of the shootings on the west coast have hung around Borcia's establishment in Los Angeles.

Anthony De Lordo, another Chicago hoodlum, is reported to have been in Florida and to have been in contact there with Sam H. Taran. In fact, information has been received that after the \$70,000 fire at the Tavern Distributing, Inc., records and appliance division in

Miami, on June 15, 1947, Anthony De Lordo actually tried to contact Sam Taran by telephone. Taran was finally located in Brainerd, Minn. De Lordo was named by James Egan, the payoff man in the gang killing of Martin (Sonny Boy) Quirk, which killing occurred on September 18, 1943, as having been implicated with John Joseph Williams and others in the killing. That case went to trial and all they had was Egan's confession, and there was an acquittal in the case.

Another individual who should receive the attention of the committee is Joseph Epstein, a big betting commissioner in Chicago who has been very close to Virginia Hill, the girl friend of Benjamin (Bugsey) Siegel of the New York mob for many years. Epstein was formerly the head of a group usually referred to as Stern & Horwick, which maintained gambling offices at 10 North Clark Street and 720 North Wabash Avenue. The other members of this group included Edward Stern and S. J. Horwick. In December 1940, when the attorney general—that is, the attorney general of the State of Illinois—secured an injunction against bookmakers in the State of Illinois, it appeared that Joe Epstein was then connected with Edward Stern, Jack Terman, Julius Horwick, and James Mondie. During the heyday of the Capone regime James Mondie was one of the big shots in Al Capone's gambling empire in Chicago, although in recent years he has not been very important. Joseph Epstein has continued to furnish Virginia Hill with large sums of money over a period of years. Information was received in May 1949 to the effect that Epstein had been sending Virginia Hill three or four thousand-dollar bills every week or two through the manager of a hotel in Mexico City. It was also understood that Epstein visited Mexico City in the early part of 1949, where he met Virginia Hill at the Acapulca. It will be noted that Epstein is a big betting commissioner; and, in view of the fact that Virginia Hill has been so closely identified with Benjamin (Bugsey) Siegel of the New York mob and Allen Smiley, Epstein assumes some importance with reference to the Nation-wide gambling set-up.

Other big betting commissioners in Chicago include Edward M. Dobkin, who has maintained offices at 325 West Madison Street, Chicago, as well as at other addresses. Dobkin has been a betting commissioner for many years. In fact, as far back as 1931 he testified in connection with a case that he was a commission man and that when business was good he handled from \$25,000 to \$50,000 a day in bets. On April 26, 1940, the Federal grand jury in Chicago returned three indictments in which 18 gamblers and horse-race-news distributors were charged with operating a scheme to take over the lucrative racing-information business abandoned by Moe Annenberg. I think I went into that case just a few minutes ago.

That scratches the surface on Chicago.

The CHAIRMAN. Thank you very much, Mr. Peterson. The committee will meet in the morning at 10 o'clock in room 457 of the Senate Office Building, when Mr. Peterson will resume his testimony.

We stand in recess until 10 o'clock in the morning.

(Whereupon, at 6:05 p. m., the committee recessed until 10 a. m. Friday, July 7, 1950.)

INVESTIGATION OF ORGANIZED CRIME IN INTERSTATE COMMERCE

FRIDAY, JULY 7, 1950

UNITED STATES SENATE,
SPECIAL COMMITTEE TO INVESTIGATE
ORGANIZED CRIME IN INTERSTATE COMMERCE,
Washington, D. C.

The committee met, pursuant to recess, at 10:25 a. m., in room 457 Senate Office Building, Senator Estes Kefauver, chairman, presiding.

Present: Senators Kefauver, Hunt, and Wiley.

Also present: Rudolph Halley, chief counsel; Alfred Klein, assistant counsel.

The CHAIRMAN. The committee will come to order.

Mr. Peterson, you may resume your statement.

FURTHER TESTIMONY OF VIRGIL W. PETERSON, OPERATING DIRECTOR, CHICAGO CRIME COMMISSION, REPRESENTING THE AMERICAN MUNICIPAL ASSOCIATION

The CHAIRMAN. Let me ask you, Mr. Peterson, have you finished a general description of conditions in the Chicago area and are you passing to another phase of your testimony?

Mr. PETERSON. That is correct. Of course there are a lot of other names in Chicago that are important that I have not touched upon, but I have covered in generally.

The CHAIRMAN. Of course, we cannot go into everything pertaining to Chicago in this hearing. We will have other hearings, and we will be in touch with you quite often in the future, Mr. Peterson.

Mr. PETERSON. I will be very glad to help you.

The CHAIRMAN. I did want to ask you one particular question. Will you tell us whether there is any overlapping of Chicago activities into adjacent territory such as northern Indiana? We have had some complaints about crime conditions in some of the northern Indiana cities and towns.

Mr. PETERSON. In Lake County, Ind., there is located a very well known place called the Big House, that is operated by William Gardner and William J. "Sonny" Sheetz. That is a notorious place in Lake County. Sonny Sheetz, one of the best-known gambling-house operators in that area, has some connections with the Capone syndicate. For example, a relative of Sonny Sheetz was the caretaker on the farm of Little New York Campagna in Indiana when Campagna was spending some time in Federal prison. In 1948 it

was reported that the Big House took in approximately \$9,000,000 that year. So it is a big establishment.

Another individual there, in addition to William Gardner and Sonny Sheetz in Lake County, is a fellow by the name of Harry Hymes, who has controlled the race-horse wire service in that county, and there have been allegations, which we have never proved, that there is a tie-in between him and the Capone syndicate. That is, allegations were particularly prevalent a couple or 3 years ago when there was a killing in Lake County over the wire service.

The CHAIRMAN. Do these people live in Indiana or do they live in Chicago?

Mr. PETERSON. As far as I know, they live in Indiana.

The CHAIRMAN. What towns and cities are they?

Mr. PETERSON. The Big House is at Indiana Harbor. It ties in with Gary, Ind., as well. If my recollection is correct, I think William Gardner is from Gary, Ind. He is tied up with Gary.

The CHAIRMAN. Do you have any questions at this point, Senator Hunt?

Senator HUNT. No; I have none.

The CHAIRMAN. All right, Mr. Peterson, you may carry on.

Mr. PETERSON. Leaving Chicago, I want to discuss very briefly some of the figures in New York City.

The CHAIRMAN. Before you leave Chicago, is Paul Ricca also located in Long Beach, Ind.?

Mr. PETERSON. Paul Ricca has a home at Long Beach, Ind. I mentioned that yesterday. He has a \$75,000 home there which was partially destroyed by fire a few years ago.

The CHAIRMAN. Does he operate in Indiana?

Mr. PETERSON. I don't have any information to the effect that he is operating illegally in Indiana, but I wouldn't say that he is not. I don't have any definite information to that effect.

The CHAIRMAN. All right, Mr. Peterson.

Mr. PETERSON. Frank Costello, the most influential underworld leader in America, has his 79 Wall Street Corp., in New York City, lucrative gambling-house interests in Louisiana, oil properties in Texas, oil and gas leases of the Kingwood Oil Co. in Oklahoma City, Okla., tremendous political power, public relations and publicity men, a personal attorney and enormous wealth—all acquired or made possible through an association of several decades of some of the most notorious criminals in America, namely, Charles "Lucky" Luciano, panderer and narcotics tradesman; Meyer Lansky and Benjamin "Bugsy" Siegel, who headed a mob known as the Bug and Meyer mob of executioners; Louis Lepke Buchalter, head of Murder, Inc.; Dutch Schultz, the racket king who lived and died through violence; John Torrio, who founded the notorious Capone syndicate in Chicago; Abner "Longie" Zwillman, big-time racketeer; Joe Adonis, one of the biggest racketeers in America; Owney Madden, known as Owney the Killer; and scores of others who became wealthy and powerful solely through defiance of local, State, and Federal laws. Costello has continued to associate and enter into partnerships with foremost racketeers, ex-convicts, and swindlers. He remains at the top of the list of America's underworld leaders.

George Uffner, 419 East Fifty-seventh Street, New York City, is a close associate of Frank Costello and Frank Erickson, another Cos-

tello lieutenant. In the 1920's Frank Costello, George Uffner, Waxey Gordon, Philip "Dandy" Kastel, Jack Diamond, Eddie Diamond, and a host of other underworld characters were on the payroll of Arnold Rothstein, often described as the mastermind of the underworld. George Uffner was an associate of Charles "Lucky" Luciano and was once a member of the Diamond gang. When Arnold Rothstein was killed in November 1928 the police arrested George Uffner and Charles "Lucky" Luciano along with Thomas Walsh and questioned them about the Rothstein murder. They were released.

On September 7, 1929, Walsh was killed in the Miami Biltmore Hotel. George Uffner was a dealer in narcotics and received financial backing from time to time from Arnold Rothstein. Uffner's police record dates back to 1924 when he received a suspended sentence on a bogus-check charge in Federal court. In 1933 Uffner was sentenced in general sessions court, New York City, for a State prison term of 4 to 8 years on a conviction for forgery and grand larceny. Records recovered from Frank Erickson by the district attorney's office in New York City in May 1950 revealed that Frank Erickson, Frank Costello, George Uffner, and Leonard Erickson were partners in valuable oil-lease interests in Wise County, Tex.

Frank Erickson, long known as one of the biggest gambling racketeers and a close associate of Frank Costello, has maintained lavish offices at 487 Park Avenue, New York City. Records seized by the district attorney's office in May 1950, clearly established his illegal activities in collaboration with such big-time gangsters and racketeers as Joe Adonis, Meyer Lansky, Jake Lansky, Vincent "Jimmy Blue Eyes" Alo, Mert Wertheimer, and others in gambling operations in Broward County, Fla. Frank Costello notes found among the records of the Colonial Inn, Hallandale, Fla., clearly indicated Frank Costello's financial dealings with New York mobsters in connection with their illegal activities in States other than New York or Louisiana where he is in partnership with the convicted swindler, Philip "Dandy Phil" Kastel. Records also established that Frank Costello and Frank Erickson own oil and gas leases of the Kingwood Oil Co., Oklahoma City, Okla.

Joe Adonis is one of the principal members of the Frank Costello organization. He has been closely associated with this group for the past 20 years. With Meyer and Jake Lansky, Frank Erickson, Vincent Alo, alias Jimmy Blue Eyes Alo, and others, he has been active in gambling operations in Broward County, Fla. With William Moretti and Abner "Longie" Zwillman, who are Frank Costello associates, Adonis has been active in the gambling racket in New Jersey. Adonis has also been a close friend of Benjamin "Bugsy" Siegel, the gangster who became a gambling czar in Las Vegas, Nev., before he was killed in 1947. Adonis has also been close to members of the Capone gang in Chicago. He has been active in labor racketeering in New York and New Jersey. He is said to have connections with leading racketeers in virtually every large city of America.

In August 1949 it was revealed that Joe Adonis had muscled into the automobile industry in New York. Associated with him in that venture was Ralph Conti, who had been arrested 12 times on various charges ranging from robbery, homicide with a gun, grand larceny, extortion and policy-racket violations, but never convicted. It was

brought out in court that Conti had sponsored the sale of 110 cars on the secret list of the Kings County Buick, Inc. Joe Adonis, alias Joe Doto, alias Joe A., is unquestionably one of the top-ranking racketeers of America today.

The CHAIRMAN. Before you leave Joe Adonis, what is the name of that automobile business?

Mr. PETERSON. That is the Kings County Buick, Inc.

The CHAIRMAN. What is it, a distributorship?

Mr. PETERSON. That is my understanding; yes.

The CHAIRMAN. Do you know anything about the size of the business?

Mr. PETERSON. No, but it is a pretty large automobile distributorship. In other words, it was brought out in court at that time that 110 cars on the secret list, the sale had been made and arranged by this fellow Conti.

The CHAIRMAN. What do you mean, 110 cars on the secret list?

Mr. PETERSON. I think it had to do with black-market operations.

The CHAIRMAN. All right, Mr. Peterson.

Mr. PETERSON. Meyer Lansky, an original member of the Frank Costello group, is one of the big gambling racketeers of the country with operations in several sections of the country. In New York he has been in the juke-box distributing business. There were strong indications that Lansky's juke-box operations in New York had some connection with similar juke-box distributing activities of the Capone gang in Chicago. In fact, one company with which he was connected at one time had the same financial backing as the financial backing of a company operated by Jack Guzik's son-in-law in Chicago.

On June 28, 1949, Meyer Lansky sailed from New York for Italy. It was alleged that the purpose of this trip was to see Charles "Lucky" Luciano who was deported there after his conviction in New York.

Morris Rosen, 118 Riverside Drive, New York City, became a dominant factor in the Flamingo Hotel gambling operations in Las Vegas, Nev., within a few months after Benjamin "Bugsy" Siegel was killed. It is claimed that Morris Rosen was friendly with Louis Shomberg, alias Dutch Goldberg, one of the biggest racketeers of the country during prohibition. It was also firmly believed in Nevada that Rosen was representing Siegel and the New York mob in Nevada.

Mr. HALLEY. Isn't it a fact that Rosen is the man who was questioned in the formal investigation on gambling that took place in Nevada?

Mr. PETERSON. No. Rosen was the man that they held hearings out in Nevada—I will go into that a little later in my Nevada statement.

Mr. HALLEY. You are going to touch on that.

Mr. PETERSON. I am going to touch on that. That was in connection with the wire service there. Morris Rosen, together with Moe Sedway out in Nevada, had, I believe it was, the Golden Nugget Racing Service, but I will get to that later in my testimony. In fact, there was a Federal suit filed in Nevada. They held hearings there and finally they kicked Rosen out of Nevada.

Mr. HALLEY. Can't you go into that tie-up at this moment? Rosen apparently admitted that he came from New York.

Mr. PETERSON. He came from New York, yes. Very briefly, here is the story—

Mr. HALLEY. If you are going to go into it, save it.

Mr. PETERSON. I will go into it later, but very briefly I will go over it now. It is rather interesting. Benjamin "Bugsy" Siegel was brought to the west coast by Joe Adonis. Siegel was a part of the New York mob. Siegel became the head of the Flamingo Hotel out in Nevada. Siegel was killed June 20, 1947. After Siegel was killed Sanford Adler had the controlling interest in the Flamingo Hotel. Morris Rosen then went to Nevada. Morris Rosen got into a fight with Sanford Adler. Sanford Adler came screaming into the hotel for help and Sanford Adler decided he didn't want to be the controlling owner of the Flamingo Hotel, and Morris Rosen became, together with Moe Sedway, and I forgot who the other party was now. Moe Sedway, incidentally, was Bugsy Siegel's partner in the operation before.

Mr. HALLEY. Isn't it right that Rosen came from New York as a virtual stranger, from the New York mob?

Mr. PETERSON. That is right.

Mr. HALLEY. And just stepped in there with no investment at all. Is that right?

Mr. PETERSON. I don't know. He claims to have an investment. He claimed after he got kicked out of Nevada and even as late as last November I know he was questioned in New York in connection with another matter in which he stated then that he still had his interest in the Flamingo Hotel, although he was supposed to have been out of there, you see.

Mr. HALLEY. He made an investment, but was able to pay for it out of the profits?

Mr. PETERSON. I can't answer that particular question. I have my own ideas of why he was out there and whom he represented. I don't think there is any question.

Mr. HALLEY. Can you state your ideas?

Mr. PETERSON. I think that money originally was the New York mob money. I think that is who Siegel represented up there. You have to bear in mind the original incorporators; that Louis Pokrass was part of that group. He was the one that I think filed the papers in connection with the Nevada Projects Corp. Louis Pokrass was associated with Adonis and with Costello back in New York during prohibition days. So, I think it was New York mob money. When Siegel went out of the picture, Sanford Adler took over; and they didn't want that. So, out of a blue sky here comes Morris Rosen from New York, and he becomes the dominant factor in that operation. So, to me, there is no question whom he represents; but I can't prove that, of course.

Does that answer your question?

Mr. HALLEY. Thank you.

Mr. PETERSON. Another man from New York, who doesn't spend much time there, Anthony Carfano, alias Little Augie Pisano, has been spending much time in Florida in recent years in the association of some of the biggest racketeers of the country. Carfano was an associate of Joe Adonis in New York, and was also a partner of Joe Masseria, alias Joe the Boss, before the latter was killed. It was also claimed that in 1929, after Frankie Uale (Yale) was murdered, Little Augie Pisano succeeded to the Uale enterprises in Brooklyn. These enterprises included bootlegging, industrial rackets, and slot machines.

One man who is very seldom heard about but who is important for both his New York and Chicago connections is Gaetano Ricci, alias Tony Goebels, 125 Ocean Parkway, Brooklyn, N. Y. He is an important link between the New York underworld and the Chicago Capone syndicate. As far back as 1928, Ricci was arrested in Chicago in the company of Louis (Little New York) Campagna, one of the leading members of the Capone gang. During the period in which the Capone mobsters were exerting every possible effort to effect the paroles of Paul Ricca, Louis Campagna, Charles Gioe, and Phil D'Andrea from the Federal penitentiary, in 1947 Ricca made numerous telephone calls to Mrs. Campagna and to the homes of Campagna's relatives as well as to Campagna's farm in Berrien Springs, Mich. He made calls to Francis Curry, an important contact for the Capone mob in Joliet, Ill., and to individuals known as to be close to Frank Nitti before Nitti committed suicide in 1943. He is also understood to have made calls to Owney Madden in Hot Springs, Ark. Madden was a close associate of Frank Costello and other members of that group. He was also in touch with the person who controls the commercialized vice in the near North Side of Chicago. It was also alleged in June of 1949 that Ricci exerted some influence in a reshuffling of the underworld leadership of Chicago's near North Side. Ricci is a native of Italy, having been born at Viesti, Italy, on January 1, 1893. He arrived in the United States in 1898 on the S. S. *Trojan Prince* and became a naturalized citizen in November 1944. He is New York City Police Department's No. B-261555. He is married but is allegedly separated from his wife.

Another individual known as Joseph Profaci, alias Guiseppe Profaci, 82-15 Fourteenth Avenue, Brooklyn, N. Y., is an important contact for underworld characters. His name and address were found in a confidential address book seized by the Los Angeles police early in 1950 from Giroloma Adamo, alias Mo Mo Adamo, a principal lieutenant for Jack Dragna, one of the most notorious gangsters on the west coast. Included in this list of addresses were some of the most important underworld characters of the Nation, including two leading members of Chicago's Capone gang, Murray Humphreys and Tony Accardo. Profaci was arrested in Cleveland, Ohio, on December 6, 1928, when a raid was conducted on a hotel room in which an alleged meeting of the Mafia Grand Council was taking place. Thirteen guns were found in the hotel room by the Cleveland authorities. Profaci is New York City Police Department's No. 14481, Cleveland Police Department's No. 32776, FBI's No. 4469866, and narcotics international list 11-274. Profaci was born in Italy on October 2, 1897, is married, has six children, and lives with his wife, Unifa, and family at the given address. For many years he has operated the Mamma Mia Importing Co., Inc., 1414 Sixty-fifth Street, Brooklyn, N. Y. His brother Salvatore is also an officer of this company which is engaged in the packing of olive oil and the jobbing of canned tomatoes.

Another New York individual whose name should be borne in mind is Joseph Bonanno, alias Joe Bananas, 114 Jefferson Street, Brooklyn, N. Y. He is tied up with several enterprises, including laundries. Bonanno is also connected with the Colorado Cheese Co., Trinidad, Colo., which is a distributor for Italian cheese. His name was also found in the records seized from Jack Dragna's lieutenant by the

Los Angeles police along with the other addresses that I have mentioned before.

In many respects the kingpins of rackets in New Jersey are identical with the rulers of the underworld in New York City. Joe Adonis, one of the most important members of the Frank Costello mob in New York, is one of the most influential figures in the rackets in New Jersey. Likewise, Abner (Longie) Zwillman, who has long been considered the top-ranking racketeer of the New Jersey area, was a member of the original Frank Costello gang following the repeal of prohibition. In recent years Zwillman, like his associate Frank Costello, has attempted to create the impression he is no longer connected with the rackets. However, it is known that some of the most powerful gambling racketeers of the Nation keep in touch with him. For example, both Morris Kleinman and Lou Rothkopf, of the powerful Cleveland syndicate, have been in frequent telephone communications with him.

William Moretti, Hasbrouck Heights, N. J., together with Abner (Longie) Zwillman, Joe Adonis, and Anthony Sabio, alias Chicago Fats, make up the ruling mob in New Jersey. In South Plainfield, N. J., an extremely large crap game has been operated by the Joe Adonis crowd, and it appears probable that William Moretti and Zwillman have also had an interest in this operation. William Moretti and Abner (Longie) Zwillman are also allegedly "big shots" in the numbers-game racket as well as crap games in New Jersey. William Moretti has also been close to Frank Costello of New York. In fact, it has been claimed that Costello is the godfather of Moretti's children. The influence of Moretti has been felt on the west coast through Joe Sica, one of the most important underworld leaders in Los Angeles. Sica allegedly received his training from Moretti in New Jersey.

Joe Adonis spends a considerable amount of time in New Jersey and also has legitimate interests in the State. There is good reason to believe, for example, that Joe Adonis is the principal owner of a company, the name of which I will give you, in Cliffside, N. J., although another man is the owner of record. That again has to do with automobiles. I have a list that I will give you.

Abner Zwillman resides at 32 South Munn Avenue, East Orange, N. J.

James Cerce has operated a large wire room for horse-race betting on the top of the Oakley Building, 211 Market Street, Paterson, N. J. James Cerce is reportedly a lieutenant of Joe Adonis.

Nick Delmore of Elizabeth, N. J., has been a member of a syndicate that has controlled the numbers racket in Union County, N. J., in years gone by. Associated with Nick Delmore in the numbers racket has been Hoboken Joe Stassi. During the prohibition era, William J. Syms and Lee McRitchie were associated together in New Jersey. They were also associated with Joe Stassi. When the Broward County Kennel Club, Inc., Hollywood, Fla., began operations in 1934, two of the principal stockholders were William J. Syms and Joseph Stassi. Later Stassi's name was dropped as a stockholder and in his place appeared the name of Lee McRitchie. William J. Syms continued to be the dominating influence in the operation of the Broward County Kennel Club. It is also claimed that William J. Syms and Nick Delmore own certain companies in Newark at the present time and are connected with a group that operates bowling

alleys, skating rinks, and other activities in the State. There are also indications that Jake Lansky has been close to William J. Syms in dog-track operations in Broward County, Fla.

In 1947 a killer for one of the mobs gave information which has not been verified, but in view of the names he mentioned it might be well to look into it. He claimed there was the formation——

The CHAIRMAN. Are you going to give that information to counsel for the committee?

Mr. PETERSON. In view of the names, I can mention some of them here and put it on the record. The people aren't apt to be slandered any.

The CHAIRMAN. In that connection, I want it understood that necessarily in this kind of testimony, for some statements which are made you must have substantiating data for everything that you say; but, if anyone feels that they have been misrepresented or if they want to make any statement of correction or explanation, they will of course be given an opportunity to do so.

Mr. PETERSON. This group, it was alleged, had formed a syndicate to control sporting events, racing, and were also engaged in the narcotics racket. That included members of the New York mob, some of the important members of the Capone syndicate, some of the New Jersey representatives, and some from Philadelphia. It covered a lot of territory.

It might be well for you to look into that information which I will give to you, because the names involved are very important.

The CHAIRMAN. Does this syndicate that you are talking about have a name?

Mr. PETERSON. The syndicate did not have a name as such, as far as I know. They were also allegedly controlling juke-box distribution companies, the names of which I will give you. In fact, Meyer Lansky was the treasurer of one of those companies. That is a matter of record.

The CHAIRMAN. What company was that?

Mr. PETERSON. That was the Simplex Distributing Co.

The CHAIRMAN. Of New York?

Mr. PETERSON. Yes.

The CHAIRMAN. Mr. Peterson, Meyer Lansky and Jake Lansky are brothers?

Mr. PETERSON. They are brothers; that is right.

The CHAIRMAN. Jake is the one who operated in Broward County?

Mr. PETERSON. Both Jake and Meyer.

The CHAIRMAN. The Colonial Inn and Green Acres?

Mr. PETERSON. Both brothers were a matter of record in that operation.

Another individual by the name of Vito Genovese, 75 Bluff Road, Palisades Gardens, Palisades, N. J., was formerly a gunman for Charles (Lucky) Luciano. He fled to New Jersey when Luciano got in trouble as the head of New York City's commercialized prostitution racket. Genovese has a criminal record reflecting numerous arrests since the year 1917 on charges of various crimes, including that of homicide. He is New York City Police Department's No. B-59993.

Anthony Sabio, alias Chicago Fats, is allegedly the king of the book-makers in Passaic County, N. J., under William Moretti.

That covers very briefly some of the principals in New Jersey. I have one or two other connections here that I will give you without making it a matter of public information.

In New England, very briefly, Harry (Doc) Jasper Sagansky, Boston, was perhaps the principal gambling racketeer in the New England area prior to the time of his conviction a few years ago, in 1943, I believe it was. Records recovered in Boston several years ago established that Harry (Doc) Jasper Sagansky in 1942 called Frank Erickson in New York as often as six times each betting day. Canceled checks seized in raids on Sagansky's apartment reflect that they were made out to "L. Erickson," who is Leonard Erickson, brother of Frank. Leonard Erickson was Frank Erickson's banker. During July 1942 Sagansky made out 14 checks to Erickson totaling \$13,520 to settle his obligations to him that month.

The CHAIRMAN. Mr. Peterson, that would indicate that Erickson was the betting commissioner and was handling the lay-off bets.

Mr. PETERSON. That is right, for Sagansky, who was the big racketeer there, but he also was dealing almost on as large a scale with—for example, in July 1942, he had to pay N. N. Kronenberg, of Houston, Tex., a betting commissioner, \$12,864.75 in order to balance accounts. In Chicago, he issued three checks amounting to \$5,142.25 in the first 20 days of July 1942 to E. M. Dobkin, a man I mentioned yesterday, one of Chicago's large betting commissioners. At that time Sagansky's headquarters was located in the Roughan Hall, 15 City Square, Boston. The extent of Sagansky's business in gambling activities during that period was reflected by bank deposits which totaled \$1,114,131.78 in 1941 and \$1,374,575.46 in 1942.

Frank Iaconi is head of the gambling racket in Worcester, Mass. Iaconi is closely associated with Raymond Patriarca, the king of rackets in Providence, R. I. Patriarca is also allegedly tied up with members of the Frank Costello mob in New York. Patriarca and Iaconi were associated together during rum-running days. Iaconi worked for the Patriarca gang as a Providence-Worcester agent. Booze was run between the two cities. Iaconi then left the bootlegging racket and began operating beano games, then horse betting, and then numbers. In 1940, when Daniel H. Coakley, a member of the Governor's Council in Massachusetts, was impeached for obtaining the release of Patriarca from the Massachusetts State Penitentiary, Iaconi informed Patriarca that he should stay out of Worcester. Patriarca then brought Iaconi in line by a series of robberies of Iaconi's gambling places. There were about four robberies in a very few days. One of them involved Tony Santello, who handed over \$21,000. Four days later there was a robbery of a Worcester barroom where Iaconi, a high city official and four others were present. After another robbery of an Iaconi gambling joint on Green Street in Worcester of \$19,000, Patriarca was invited to come to Worcester and make peace with Iaconi. Since that time the Iaconi-Patriarca alliance has been functioning smoothly. Iaconi's monopoly of gambling in Worcester is an important part of Patriarca's gambling set-up in that particular area.

The CHAIRMAN. That was in the spring of 1940; was it not?

Mr. PETERSON. Yes; it was in 1940. I don't know the time of the year.

The CHAIRMAN. Do you have the exact date?

Mr. PETERSON. Yes. I have it in our files.

The CHAIRMAN. Will you give it to the committee?

Mr. PETERSON. Yes.

William H. Ridings, 6 Whipple Street, Pawtucket, R. I., has also been a big lay-off man and betting commissioner there. Telephones are listed to the above address in the names of John Samuel Horton, George Ashcroft, and John Allen. Ridings formerly did business with Harry "Doc" Jasper Sagansky, the chief of New England gambling rackets until he ran afoul of the law in 1943. Frank Iaconi, the gambling king of Worcester, Mass., at one time used Ridings to lay off bets several times a day.

Jumping to Florida, that has long been a stamping ground for some of the most notorious gangsters of the Nation. This has particularly been true of the Miami area and also in Broward County, Fla., directly to the north of Dade County, in which Miami and Miami Beach are located. The Capone syndicate has had a firm foothold in Florida for the last 20 years. Al Capone maintained an estate in Florida which was visited by virtually all of the prominent members of the Chicago Capone gang. Charles Fischetti, who is unquestionably one of the most powerful underworld leaders in America today, has a palatial home located at 6475 Allison Road, Miami, Fla. Charles Fischetti has connections with the leading members of virtually every important mob from the east coast to the west.

Tony Accardo, frequently referred to as the present leader of the Capone syndicate, has maintained a residence at 9199 Collins Avenue, Surf Side, Fla., just north of Miami Beach. His brother, Martin Leo Accardo, a felon, has lived in a palatial home at 1217 Granada Boulevard in Coral Gables. Clarice Accardo is the wife of Tony Accardo. They, together with their children, live in the very fine residential suburb of Chicago, River Forest, Ill. Their home is located at 1431 Ashland Avenue, River Forest. In Florida Tony Accardo has maintained a boat, the *Clari-Jo, River Forest, Illinois*.

Jack Guzik, the former business manager of the Capone syndicate, has spent a large amount of time in Miami Beach, as has virtually every important member of the gang. Property owners in Miami Beach include Ralph Buglio, Pat Manno, and Peter Tremont. Ralph Buglio has long been known as an associate of prominent members of the Capone syndicate. Buglio has owned a house at 261 North Coconut Lane, Palm Island, Miami Beach. Many years ago Buglio was a suspect in some of Chicago's gang killings. On February 2, 1936, Ralph Buglio, Rocco De Stefano, and others were arrested by the Chicago police in connection with alleged holdups of liquor wholesalers in the State of Illinois. It was claimed they had been involved in hijacking merchandise amounting to over \$75,000 in 1 year. Bonds in the sum of \$90,000 each were required. Prosecution was later declined. On July 10, Rocco De Stefano, his father, Michael De Stefano, Ralph Buglio, and others were arrested by the State's attorney's police for failure to pay sales taxes over a period of 15 months.

The CHAIRMAN. In what year was that?

Mr. PETERSON. I have July 10 down here. Apparently I left out the year. I think that was about the same time, about 1936. I think I can find that for you in my notes here.

The CHAIRMAN. You can supply that?

Mr. PETERSON. Yes. I will supply that.

Buglio's associate, Rocco De Stefano, has also been closely allied with Harry Russell, Charles Fischetti, Jack Guzik, and other big Capone syndicate members, all of whom spend a considerable amount of time in Florida.

Peter G. Tremont, who is a property owner with Buglio in Miami Beach, is a big policy operator on Chicago's South Side. It is also known that Pat Manno, who has been in the policy racket in Chicago for many years, owns a residence at 5812 Pine Tree Drive, Miami Beach, Fla. Manno also maintains a permanent address at 1439 North Franklin Street, River Forest, Ill.

Harry Russell, who operates a bar at 400 South State Street and who has been associated with Tony Accardo in the operation of gambling places in Chicago, has also spent a large amount of time in Florida. In fact, it was publicly charged several months ago that he had muscled into the S. & G. Gambling Syndicate in Miami Beach. Harry Russell has been an associate of Max Caldwell. I mentioned him yesterday.

On August 21, 1941, the State's attorney's office in Chicago charged that Rocco De Stefano, Harry V. Russell, Peter Tremont, Patrick Manno, Max Caldwell, Milton Schwartz, and others had helped spend \$900,000 looted from the treasury of local 1248, Retail Clerks Protective Association union funds. No indictments were returned and no further action was taken. During the time that Caldwell was affiliated with the Retail Clerks International Protective Association, local 1248, in Chicago, he furnished free air transportation, apparently with union funds, for Ralph Buglio, Harry Russell, Rocco De Stefano, Peter Tremont, Pat Manno, and others, from Chicago to Miami. Caldwell has entered into business in the Miami area at the present time. When a suit was filed in 1941 for an accounting of the union funds, a union representative testified he could find only \$62 of the \$910,000 Caldwell had collected as business manager of the union. Martin Gullfoyle, long a big-time gambler of Chicago and once listed as a public enemy there, divides his attention between the operation of handbooks in Chicago and the Miami area.

Virtually every member of the Capone syndicate has frequented the Miami area and in many instances have engaged in racketeering activities there. During the heyday of Al Capone, the Capone syndicate was in control of dog tracks in virtually every part of the country, including Florida. The Capone syndicate czar of dog racing during that period was Edward J. O'Hare, who was killed in gang warfare in Chicago on November 9, 1939. Just prior to the time O'Hare left his office in Sportsman's Park, Cicero, Ill., he had been holding a conference with William H. Johnston and John Patton in their offices at Sportsman Park. Johnston was then described as a publicity man and Patton was one of the owners of the track along with O'Hare. These individuals were also interested at that time in dog-track operations in Florida. William H. Johnston, 1090 Arbor Lane, Jacksonville, Fla., is presently listed as the president of the Miami Beach Kennel Club, Inc., president of the Associated Outdoor Clubs, Inc., Tampa, Fla., president of the Jacksonville Kennel Club, Inc., president of the Orange Park Kennel Club, Inc., all of which are Florida dog tracks. James Patton, the son of John Patton, is listed as the

vice president of the Miami Beach Kennel Club, Inc., and the Jacksonville Kennel Club, and is assistant treasurer of the Orange Park Kennel Club, Inc., Jacksonville, Fla. With reference to the Miami Beach Kennel Club, John Patton appeared as one of the owners of this track. Until 1941, John Patton's name appeared as a stockholder in the Miami Beach Kennel Club. Since that date the stock was transferred to his son, James. John Patton has long been associated with members of the Capone gang. Many years ago he was known as the Boy Mayor of Burnham, a suburb of Chicago, which was the center of vice, gambling, and booze for the Capone syndicate. On April 7, 1925, the press in Chicago reported a raid on the Capone gang headquarters. Arrested in the raid were John Patton, Robert Larry McCullough, Joe Fusco, Frank Nitti, and others who were considered then important members of the syndicate.

Mr. HALLEY. Is this the same John Patton?

Mr. PETERSON. That is the same John Patton.

Mr. HALLEY. What is the basis upon which you state that William Johnston is allied with the Capone syndicate?

Mr. PETERSON. I do not say that. I say he has been associated with John Patton since in the 1930's.

Mr. HALLEY. In what kind of operation?

Mr. PETERSON. In the operation of dog tracks and also in the operation of Sportsman's Park in Chicago.

The CHAIRMAN. Mr. Peterson, did you mention Tropical Park?

Mr. PETERSON. No.

The CHAIRMAN. Were you going to mention it?

Mr. PETERSON. I don't think so.

The CHAIRMAN. Do you have any information about the ownership of Tropical Park?

Mr. PETERSON. Yes; I have some information, but I didn't include that in this.

The CHAIRMAN. Is John Patton not one of the owners of Tropical Park?

Mr. PETERSON. I am not sure. I would have to check my records back at the office. Those that I know that Patton has been interested in are those that I have mentioned. Of course, now, he does not hold the stock. The stock is in the name of his son, James Patton. However, John Patton has still been very friendly with William H. Johnston.

Mr. HALLEY. Can you give some more detail on their business relationships, in particular, say, in Sportsman's Park?

Mr. PETERSON. In Sportsman's Park?

Mr. HALLEY. Yes.

Mr. PETERSON. Surely. I think if you would check with some racing people there, you would find that John Patton spends an awful lot of the time in the penthouse there at Sportsman's Park with William H. Johnston in the operation of that track.

Mr. HALLEY. They own the track?

Mr. PETERSON. The track is owned by, I believe it is called the National Jockey Club, of which William H. Johnston is president and in which John Patton at one time held stock, but he no longer appears as a stockholder in that track, either. I think his son, James Patton, is a stockholder in the track.

Mr. HALLEY. Are there any other ventures in the Chicago area in which you find Patton and Johnston together?

Mr. PETERSON. Only in connection with tracks.

Mr. HALLEY. What tracks?

Mr. PETERSON. I mean in Chicago, just Sportsman's Park, the one track; and then the tracks in Florida.

Mr. HALLEY. Can you give further detail on the Florida situation?

Mr. PETERSON. Yes.

Mr. HALLEY. With relation specifically to Johnston and Patton and their associations?

Mr. PETERSON. If I may, I will finish this particular portion, and then you may have some other questions. I wanted to bring out again, which I mentioned yesterday, arrested in the raid there were John Patton, Robert Larry McCullough, and others. During that period, John Patton was associated with Edward J. O'Hare, representative of the Capone gang, Jack Guzik, business manager of the Capone outfit, and others, in the operation of a dog track known as the Laramie Kennel Club and the Hawthorne Kennel Club near Chicago. This track was known as a Capone gang dog track. During the dog-track season in Florida until the present time Robert Larry McCullough, who was arrested with John Patton, Frank Nitti, and others in the Capone headquarters late in 1925, has been serving as the chief of police at the Miami Beach Kennel Club, Inc. He also serves in a somewhat comparable police capacity at Sportsman's Park near Cicero, Ill., which is a horse-racing track.

McCullough has been known in times gone by as a Capone gang terrorist and strong-arm man. He was questioned in connection with some of the notorious gang killings in Chicago many years ago. An official program of the Miami Beach Kennel Club dated March 20, 1948, lists L. A. Shumway as the mutuels manager of the Miami Beach Kennel Club. Shumway was an employee in some of the Capone gang's gambling establishments in Cicero several years ago and was called as a witness by the Government in the income-tax cases against Al Capone. It has also been reported that among the present officers, directors, and stockholders, in the Miami Beach Kennel Club is Edward Krumrey, who is also from Burnham, Ill. Krumrey is also listed as a timer at the National Jockey Club which operates Sportsman's Park near Cicero, Ill. The last known address of Edward Krumrey is 14125 Mackinaw Avenue, Burnham, Ill., where John Patton was formerly mayor. Another reported stockholder in the Miami Beach Kennel Club is David Kind. In 1929, an indictment was returned in criminal court, Chicago, charging David Kind, L. A. Shumway, Edward J. O'Hare, and others with conspiracy in offering perjured testimony as to betting at dog tracks in Illinois.

In addition to the infiltration of Capone gangsters in the Miami area, many of the important Cleveland gangsters have also located there. Fred Angersola, known as Fred King, and his brother, John Angersola, alias John King, were formerly big-time gamblers in the Cleveland area. John King is known as the owner of a fine home at 4431 Alton Road, Miami Beach, Fla., and another home at 5440 La Gorce Drive. John Angersola has been arrested in Columbus, Detroit, Cleveland, and Toledo on such charges as robbery, investigation, and suspicion. George Angersola also spends a large amount of time in Florida along with his brothers, and is known in Cleveland as an associate of Moe Davis, alias Moe Dalitz, and the Polizzis.

Another individual who has been tied up with the Cleveland syndicate, Joe Di Carle, has spent time in Florida, particularly at the Wofford Hotel, Miami Beach. Di Carle has associated there with Joe Massei, formerly of Detroit, Charles Fischetti, and Joe Adonis.

Joe Massei has been a big-time Detroit racketeer and allegedly still has affiliations with such Detroit mobsters as Pete Licovoli, William "Black Bill" Tocco, and Joe Zirilli, who have had the numbers racket in Detroit. Joe Massei has been one of the operators of the Miami Provision Co., 1062 Northwest Thirty-second Street, Miami, Fla. This concern is a wholesale meat and provision company dealing with hotels and restaurants in Miami. At one time Massei owned a home on Pine Tree Drive in Miami Beach. He sold this home in the fall of 1947 and moved to the penthouse of the Grand Hotel in Miami Beach, along with other well-known Cleveland hoodlums and big-time gambling operators. The Grand Hotel has served as a congregating place for such individuals as Joe Adonis, Anthony Carfano, alias Little Augie Pisano, Charles Fischetti, Jack Guzik, Ralph Buglio from Chicago, and numerous others.

Joe Massei has been arrested numerous times in Detroit. On May 24, 1920, and August 11, 1921, he was arrested on armed robbery charges and was discharged both times. On August 31, 1925, he was arrested in connection with a murder investigation and was discharged. On February 3, 1933, he was again arrested for murder and was dismissed by the court on May 15, 1934. His record contains 15 notations reflecting various conflicts with the law. However, he apparently never served any time except on one occasion when he was sentenced to serve 60 days in the Wayne County Jail, Detroit, Mich., for contempt of court in September 1933.

The big time racketeers from all over the country have become deeply entrenched in the Miami area and many of them have interests in hotels there. For example, in Minneapolis, Minn., perhaps the outstanding racketeer has been Isadore Blumenfield, alias Kid Cann, who has allegedly been at one time the head of a syndicate which has controlled gambling in Minneapolis for many years. Kid Cann and members of his family own valuable ocean-front property in Miami Beach, Fla. It has also been reported that Kid Cann has a million-dollar investment in a hotel in Miami Beach, Fla. A former candidate for mayor in Minneapolis a few years ago claimed that he was approached by Kid Cann's group and offered a substantial contribution to his campaign fund. In return this group wanted to name the chief of police of Minneapolis.

The CHAIRMAN. Who was that?

Mr. PETERSON. I don't have the name of the candidate here, but the candidate was defeated. He didn't accept the offer. This is a number of years ago.

Kid Cann has also been a suspect in a number of unsolved murders. One of the murder victims was Liggett, who was running a weekly newspaper and had accused Kid Cann and the police department of controlling and protecting gambling. Liggett had threatened to expose those conditions just before he was killed. Kid Cann is also understood to be engaged in the liquor business. There have been charges that he owns night clubs in the vicinity of Minneapolis.

Although this has not been proven in court there is good reason to believe that he has financial interests in some of these night clubs.

Kid Cann's name first appeared in the records of the Minneapolis Police Department in 1920. He has been charged with such crimes as murder, violation of the National Prohibition Act, assault, and as a suspect in the shooting of two police officers. He was once indicted for conspiracy to kidnap Charles Urschel, a wealthy Oklahoma oil man. This indictment was nolle prossed. In recent years it was claimed that he did operate a gambling place next door to 1538 Nicolette Avenue, Minneapolis, Minn. Kid Cann has a brother and a lieutenant whose name is Yiddi Blumenfield, alias Yiddi Bloom. Yiddi Bloom and Harry Mitchlin and Harry Joffa were secretly indicted by a Montana Federal grand jury for conspiracy in a large black market operation in liquor. In December 1943, Yiddi Bloom, Harry Mitchlin, Mrs. Verna Bloom, wife of Yiddi, and Mrs. Ray Schneider, sister of Kid Cann, were indicted for illegal distribution of wine. The tax case was settled for \$73,000 and fines on the criminal charges amounted to \$30,000.

Harry Blumenfield, alias Harry Bloom, is another brother and lieutenant of Isadore Blumenfield, alias Kid Cann. All of the Blumenfields allegedly are large property owners in the greater Miami area. At least two ocean-front hotels are located on real estate owned by this family.

In recent years, Julius Berman, alias Julius Kramer, alias Harry Kramer, alias Jules Berman, alias Julie Beeman, has operated the horse-book concession at a hotel which is allegedly owned by Isadore Blumenfield, alias Kid Cann. Julius Berman is New York City Police Department No. B99872, and he has a long record going back to 1924. It is reported that he was associated at one time with Louis "Lepke" Buchalter, of Murder, Inc., New York City. Berman has also been arrested twice on narcotics charges.

One of the officers in the corporation holding title to the hotel which is allegedly owned in part by Isadore Blumenfield is one Edward Berman, a notorious Minneapolis racketeer. Edward Berman is FBI No. 613,989. He was sentenced to 5 years in the Federal penitentiary in United States District Court, Oklahoma City, Okla., on October 7, 1933, in connection with the Urschel kidnapping case. He was charged with conspiracy to kidnap. Apparently his offense related to passage of the ransom money.

Another individual who has held leases to hotels in Florida in which the gangster element has been closely identified is Thomas Cassara. Several years ago Thomas Cassara took over the lease of the Grand Hotel, 220 Twenty-third Street, Miami Beach, Fla. In 1940 he took over the lease of the Wofford Hotel, Miami Beach, Fla., which he operated for one season only. In 1947 Cassara reportedly operated the Chanticleer Restaurant, 8572 Sunset Boulevard, Hollywood, with Monte Prosser and Danny Romano. Prosser is manager of the Copocabana Night Club, New York City, and Danny Romano has a brother by the name of Louis who has been prominently identified with the Capone syndicate in Chicago.

The CHAIRMAN. Do you know who owns the Copocabana Night Club?

Mr. PETERSON. I can't prove who owns it. I know whose name has been very prominently identified with it.

The CHAIRMAN. If you do not know, just say so.

Mr. PETERSON. I think it has been printed in the papers as a matter of fact, who supposedly is connected with it, one of the big mobsters. That hasn't been proved.

Cassara has also been manager of the Raleigh Hotel in Miami Beach, Fla. This hotel was reportedly built with funds which came from New York and Chicago about 1940. Thomas Cassara incidentally was shot on June 30, 1946, as he was standing in front of the Tradeswinds Restaurant, 865 Rush Street, Chicago, Ill. Cassara was president of the Raleigh Importing Distributors, 600 South Michigan Avenue. Standing beside Cassara when he was shot was a man by the name of Arthur T. McAboy, 7321 South Shore Drive, an official of the J. & B. Liquor Co., Cairo, Ill. Police claimed that McAboy had been negotiating for a 75 percent interest in the Raleigh Importing Distributors. Cassara was to retain a 25 percent interest. Police also reported that Rocco DeStefano, a well known Capone syndicate hoodlum, was a silent partner with Cassara in the Raleigh Distributors. A collector for back checks for the Flamingo Hotel stated in 1947 that there were about 35 individuals that controlled gambling throughout the East here and in New Jersey and Florida, and he mentioned, for example, Dandy Phil Kastel, Julie Podello, Frank Costello, and Tony Carfano alias "Little Augie" Pisano, who also has spent a large amount of time in the Miami area in association with other big time hoodlums. Another important underworld character who has become deeply entrenched in the Miami area is Sam Taran. Sam Taran is the head of the Taran Distributing Co., records and appliance division, Miami, Fla. This individual is an ex-bootlegger with a long record for violations of the internal revenue laws. Chicago police files reflect that in 1934 he served a 2-year term in the United States penitentiary.

In 1932 he was arrested at the Edgewater Beach Hotel in Chicago in connection with liberty bonds he sold which had been stolen in a Nebraska bank robbery. He was later released when the State could not prove he had knowledge of the bonds being stolen. Taran at one time was a small time prize fighter in St. Paul, where he was also known as a racketeer. Sam Taran has been reputedly the juke box boss of the mob in Florida. He has been associated there with very important members of the Capone mob as well as hoodlums from other areas.

Directly north of the Miami area is Broward County, Fla. Gambling operations in this area have long been controlled by members of the Frank Costello mob in New York. As you know, just recently records were uncovered by the district attorney's office in New York which definitely established that the Colonial Inn in Hollandale, Fla., has been owned by Joe Adonis, alias Joe Doto, one of the most powerful gangsters in this country, Frank Erickson, Meyer Lansky, Jake Lansky, Vincent Alo alias "Jimmy Blue Eyes," from the New York mob and Mert Wertheimer, head of the powerful Chesterfield syndicate in Michigan. Notes found in the amount of \$50,000 in favor of Frank Costello would indicate the possibility of his connection with the place as well. The gambling racket in this county has attracted the gangster element to settle there.

In this same county there is also located the Broward County Kennel Club. The vice president and general manager of this club is William J. Syms. Syms has been associated in times gone past with Nick Delmore and Hoboken Joe Stassi from New Jersey. He was also one of the stockholders in this club originally when it was started in 1934. It is reported that Syms is a close friend of Jake Lansky, one of the gambling czars in Broward County, Fla. The accountant for Jake Lansky is also the accountant for the dog track.

On January 10, 1945, in the United States District Court at Miami, Fla., a stockholders' suit was filed by F. Strong, Barbara Roberts, and Lee McRitchie, against the Broward County Kennel Club, Inc., William J. Syms, Gerald McCurrie, and J. E. Gallagher, defendants. The plaintiffs alleged that the defendants voted themselves exorbitant salaries—namely, William J. Syms, \$1,666.67 per week; McCurrie, \$1,163.34 a week; Gallagher, \$583.34 per week; and Ben Eisen, \$500 per week. The suit prayed for an accounting, et cetera. The suit disclosed that when the dog-track operations began on June 20, 1934, the original stockholders were William J. Syms, Joe Stassi, Florence Strong, Barbara Roberts, and a corporation.

As of January 15, 1945, the court records reflected that the stockholders were William J. Syms, Sr., William J. Syms, Jr., Lee McCurrie, who also was associated with Syms in New Jersey during bootlegging days, Barbara Roberts, Florence Strong, and May E. Pettit. The complaint alleged that William J. Syms, Sr., dominated and controlled the destiny of the club and operated the track in a high-handed manner.

In the defendants answer it was alleged that McRitchie became a stockholder in 1940. It is admitted that the corporation did obtain loans totaling \$5,000 as alleged in the complaint and which was paid to George Morton Levy, a New York attorney residing in Mineola, who in turn gave the money to the corporation. When George Morton Levy was questioned concerning the \$5,000, he brought into the picture the name of Laurretta Costello, who allegedly is the wife of Frank Costello. Ben Eisen was questioned concerning how he was able to keep books at the Broward County dog track as well as at the Gulf Stream Race Track. Although he refused to answer any other questions, he admitted he was the comptroller of the Gulf Stream Race Track.

When the case went to trial March 21, 1946, depositions were taken from Joseph Stassi, Lee McRitchie, George M. Levy, and others. In a deposition taken from Frank L. Bang he testified that William J. Syms, Joe Stassi, and Lee McRitchie were closely associated together in the operation of dog tracks in Nassau, Rensselaer County, N. Y., in 1935, and the Nassau County Kennel Club, Mineola, Long Island, from 1930 to 1935. Bang also testified in his deposition that one David Dolan was a front man for Syms, Stassi, and McRitchie.

During the prohibition era activities one of Syms' partners was Lee J. McRitchie, of Elizabeth, N. J., whom I mentioned was also connected with this dog track there.

Another associate during that period was Nick Delmore. It is claimed they are still in business together in certain legitimate business enterprises.

In Tampa, Fla., Salvatore (Red) Italiano is the leader of a group of racketeers in control of "Bolita" and other forms of gambling. The principal lieutenants of Italiano have been Jimmy Lumia, Tony (Nino) Decidue, Tom Decidue, Paul Antinori, Santo Trafficante, and a son by the same name. During 1941 these gangsters allegedly members of the Mafia were in complete control of vice, gambling, and similar activities. During the 1940 elections it is claimed that these racketeers spent huge sums of money for campaign purposes.

About 1947 Jimmy Lumia brought to Tampa a racketeer by the name of Philip Locicero. Lumia and Lucicero opened a night club known as The Chateau, which is located in the Desoto Hotel in Tampa. Locicero remained in the background of the club's transactions. Until early 1949 he spent a large amount of time in the Jockey Club. About two or three weeks before the killing of Jimmy Velasco, Salvatore Italiano, and Philip Locicero made a trip to New Orleans. The place they visited was allegedly the headquarters for the Mafia in the Southern States. In Tampa the meeting place for the Mafia has allegedly been at the homes of Jimmy Lumia or Santo Trafficante.

Santo Trafficante, a lieutenant of Salvatore (Red) Italiano, in Tampa, Fla., has connections on the west coast. Early in 1950, when the Los Angeles police seized the records from Jack Dragna's lieutenant, Giroloma Adama, they found, as I mentioned before, the addresses of some of the most notorious gangsters in the country, including Murray Humphreys and Tony Accardo. In the list was recorded Santo Trafficante, 2821, which apparently is the telephone number, 3010 North Boulevard, Tampa, Fla. Also recorded in the address book recovered from Jack Dragna was James Lumia, M1426, again the telephone number, 3215 Twelfth Street, Tampa, Fla. Jimmy Lumia has been one of the leading racketeers in Tampa until it is my understanding he was killed there just a few weeks ago in a gang killing.

Paul Antinori, who has been associated with the gang that controls Bolita and other illegal activities in Tampa, the Narcotics Bureau has reported, I believe one man testified the other day that Ignazio Antinori of Tampa went to Havana, Cuba, to obtain narcotics for associates in the Middle West. The drugs were unsatisfactory and when Antinori did not make restitution, he was killed in Tampa by shotgun fire in 1940. In 1942 the Narcotics Bureau arrested Antinori's two sons, Paul and Joseph, and several others. Paul is the man that I just mentioned. They were convicted in a trial in which Carl Caramusa, a codefendant, appeared as a Government witness. Caramusa moved to Chicago where he was killed by a shotgun blast in front of his home in 1945. Paul Antinori incidentally is married to Rose Decidue.

Another man engaged in the Cuban lottery "Bolita" with his two brothers and an uncle at the Sea Breeze Cafe is Anthony (Tony) Licata.

In the 1930's, according to J. Richard "Dixie" Davis, who was the lawyer for the slain gangster, Dutch Schultz, a national syndicate was operated from New York by Charles "Lucky" Luciano, Benjamin "Bugsy" Siegel, and Meyer Lansky. Dixie Davis, who, of course, was in a position to know what he was talking about, stated that "Moey" Davis became the power in Cleveland, Ohio, and anyone who

questioned it would have to deal with "Lucky" and Meyer and "Bugsy."

Moe Davis has been closely associated in gambling enterprises in the Cleveland area for many years with Maurice Kleinman, Lou Rothkopf, alias Lou Rody, alias Lou Rhody, Thomas Jefferson McGinty, and others. Rothkopf, Kleinman, and Davis maintained a suite in the Hollenden Hotel, Cleveland, for many years. Members of this group have been in association with some of the biggest racketeers from the east coast to the west. They have maintained contact, for example, with Abner "Longie" Zwillman, of New Jersey, and it is known that Lou Rothkopf was in very close contact with Mickey Cohen and Jack Dragna, notorious west coast gambling racketeers.

In the late 1930's a series of lawsuits was filed against Maurice Kleinman, Moe Davis, Lou Rothkopf, and Thomas Jefferson McGinty, who were named as operators of gambling joints known as the Thomas Club, the Arrow Club, which subsequently became known as the Pettibone Club.

In the early 1930's Kleinman, Rothkopf, and Davis were partners in a front for a gambling operation called the Prospect Advertising Co.

The CHAIRMAN. Where was that located?

Mr. PETERSON. Cleveland.

On February 3, 1931, William E. Potter, a Cleveland city councilman, was slain in one of the most sensational crimes ever committed in Cleveland. The most logical suspect insofar as the murder was concerned was one "Pittsburgh Hymie" Martin. Moe Davis and Lou Rothkopf were with "Pittsburgh Hymie" until a few hours before the slaying. Davis was also with Hymie until an hour prior to the arrest of Hymie who was charged with the murder of Potter. "Pittsburgh Hymie" was tried for this murder and was convicted. He won a retrial, however, and was acquitted. It was alleged that Potter had been killed because it was feared he was about to expose some crooked deals. The police had traced checks written by a city official to the Prospect Advertising Co., operated by Moe Davis and Maurice Kleinman. In recent years Davis, Kleinman, and Rothkopf have been connected with the operation of the Mounds Club, the Pettibone Club, the Jungle Inn, located near Youngstown, Ohio, the Beverly Hills Club, and the Lookout House, near Cincinnati. It is known, of course, that Thomas Jefferson McGinty has been an important figure in the operation of the Mounds Club. Several years ago it was alleged that Moe Davis was then connected with a gang which was known as the Mayfield Road gang. Some of Davis' former associates have included Joe Massei, of Detroit, Mich., Abner Zwillman, of Newark, and certain members of the Capone gang in Chicago.

The Mayfield gang subsequently fell under the leadership of Alfred P. "Big Owl" Polizzi and Frank Milano. In 1945 a large amount of publicity attended the gang murder of Nathan "Nate" Weisenberg, slot-machine king of Cleveland. Following that murder the syndicate composed of Kleinman, Rothkopf, Davis, and others, moved out of the Hollenden. At one time Moe Davis was interested in the River Downs Race Track and the Coney Island Dog Track located in Cleveland. He was also involved in a dog track at Dayton, Ky., together with Alfred P. Polizzi. The dog-track operation, however, lasted only 13 days before it was closed by the Attorney General of Kentucky.

Moe Davis, alias Moe Dalitz, is now the treasurer, or was as of February 1950, and apparently still is, of the Desert Inn, Las Vegas, Nev., one of the most elaborate gambling establishments in America. Davis has resided at 400 Park View Drive, Cleveland, Ohio. He has a number of legitimate interests there, including the Michigan Industrial Laundry Co. in Detroit. The combination of Davis, Kleinman, and Rothkopf are also allegedly interested in the Pioneer Linen Supply Co. in Cleveland. This group has also controlled a slot-machine and gambling resort at Brady Lake, Ohio, and, as I mentioned before, has owned the Pettibone Club, a gambling place located in Geauga County, Ohio. They are interested in a number of other legitimate businesses which I will make available to you. They are listed in this statement that I have here.

Lou Rothkopf, alias Lou Rhody, Fenway Hall Hotel, Euclid Avenue and One Hundred and Seventh Street, Cleveland, Ohio, is FBI No. 1128584. He was born in Cleveland on June 3, 1903. He apparently owns several apartment houses in Cleveland. Lou Rothkopf spends much of his time in Las Vegas, Nev., Miami, Fla.—

The CHAIRMAN. Do you have information about the alleged apartment houses?

Mr. PETERSON. I have some information on that. On February 23, 1937, Rothkopf was arrested by the United States marshal at Cleveland, Ohio, on a charge of violation of the internal-revenue laws. On May 22, 1937, he was sentenced to serve 4 years and fined \$5,000. On January 9, 1940, a case was ordered dismissed in the United States district court in Cleveland as to Lou Rothkopf, Max Diamond, Maurice Kleinman, Albert Philip, Morris Phillip, Kulus Kater, alias Doloff, and Tony Scalise. Rothkopf has racketeering connections from the east coast to the west and has been in touch with such gangsters as Mickey Cohen, big-shot gambler in Los Angeles, also Abner Zwillman, 32 South Munn Avenue, East Orange, N. J., on several occasions.

In February 1949 while Rothkopf was in Los Angeles he was in telephone communication with Jack Dragna at the Flamingo Hotel in Las Vegas. He was also in touch with Allen Smiley at the same place. Rothkopf also was in constant communication with Mickey Cohen and had also visited Mickey Cohen's home.

Maurice Kleinman, 12701 Shaker Boulevard, suite 802, Cleveland, Ohio, is the vice president of the Desert Inn, Las Vegas, Nev., definitely as of February 1950 and I assume that he still is, which is one of the most elaborate gambling establishments in America. Kleinman, together with Moe Davis, alias Moe Dalitz, Lou Rothkopf, and Thomas Jefferson McGinty, unquestionably form one of the most powerful gambling syndicates in the entire country. Kleinman has been, as I said before, in communication with Abner Zwillman, 32 South Munn Avenue, East Orange, N. J. Kleinman was once a pugilist and his friends and associates have included gamblers, bootleggers, and racketeers. Kleinman, Davis, Rathkopf, and McGinty have been associated together in some of the biggest gambling operations in Ohio. Kleinman was released from the United States penitentiary at Lewisburg, Pa., in September 1936 after having served 3 years of a 4-year sentence for income-tax evasion. When he was released he still owed the government \$29,345 in taxes. The Cleveland Press, on June 3, 1947, reported that the Federal Government had a lien against Kleinman in the sum of \$61,000 and that it had been outstanding since 1933. Three

days later the lien was vacated, and Kleinman's attorney claimed that the matter was all a mistake and had been settled many years before. Kleinman was once a big bootlegger and had many powerful political friends in Cleveland.

In 1938 a Cleveland Trust Co. teller who had been sentenced to Leavenworth Penitentiary for embezzlement filed a suit against the Ohio Villa, a notorious gambling house in a Cleveland suburb. Named as operators of the Ohio Villa were Morris Kleinman, Sam Tucker, and others. The Ohio Villa is now the Richmond Country Club, Richmond Heights, Ohio, and is owned by Anthony Milano, who is a close friend and adviser of Mickey Cohen on the west coast. Maurice Kleinman, Moe Davis, and Sam Tucker were indicted in February 1930 by a Federal grand jury in Buffalo, N. Y., which charged them with operating a huge run-running ring that had a barge line from Canada to Buffalo. This indictment was later nolle prossed.

Sam Tucker, who was indicted there, is presently a director in the Desert Inn, Las Vegas, Nev. He also has listed as an address 1347 Biscaya Drive, Surf Side, Miami Beach, Fla.

Thomas Jefferson McGinty, is a stockholder in the Desert Inn at Las Vegas. He has been an owner of the Mounds Club located at Cleveland and has long been associated with Moe Davis, Maurice Kleinman, Lou Rothkopf and others in big-scale gambling operations in Ohio.

Cornelius J. Jones, of 638 Lawson Avenue, Steubenville, Ohio, who was also one of the partners of the Mounds Club, near Cleveland, is now a director of the Desert Inn at Las Vegas.

Others who have been closely associated with the Cleveland syndicate mentioned previously include George Angersola, John Angersola, Anthony Milona, Alfred "Big Al" Polizzi, Charles Chuck Polizzi, John Scalise. This group is also believed to have influenced gambling operations in the vicinity of Youngstown, Ohio.

Jack Licovoli, alias Jack White, is one of the most important racketeers in Youngstown, Ohio, and Trumbull County. He is a cousin of Yonnie Licovoli, who is now in the Ohio State Penitentiary, and is also allegedly connected with Pete Licovoli, of Detroit, Mich., one of the principal numbers racketeers in that area.

Allegations have been made that Licovoli has been a part of the powerful gambling combination including Moe Davis, Maurice Kleinman, Lou Rothkopf, and others. The Jungle Inn is located in Trumbull County and is said to be operated by the Licovoli gang. Licovoli has become extremely wealthy, and it is claimed that he has had an interest in such other gambling establishments as the Pettibone Club, Brady Lake, Chesapeake Club, several years ago. He was also at one time in charge of all the slot machines in Lake Geauga and Trumbull Counties, Ohio.

Joe Di Carle, alias Joe Di Carlo, formerly an underworld character from Buffalo is one of the principal lieutenants—

The CHAIRMAN. What was that name?

Mr. PETERSON. Joe Di Carle, alias Joe Di Carlo, was formerly an underworld character from Buffalo. He is one of the principal lieutenants of the Jack Licovoli mob. He is also associated with George Angersola, alias George King. Licovoli originates from St. Louis and visits there a dozen times a year. Joe Di Carle, Youngstown, Ohio, is also associated with Jack Licovoli, George Angersola, and others in big-time gambling. He has been in contact with Mickey Cohen,

west coast racketeer. In fact, Mickey Cohen telephoned Joe Di Carle at the Wofford Hotel, Miami Beach, Fla. In Florida it was claimed that Di Carle was associated with Joe Massei, Charles Fischetti, and Joe Adonis. Also associated with Jack Licovoli have been Mike Farrah and John Farrah, both of whom are from Youngstown, Ohio. These individuals are also believed to have connections with the Cleveland gambling combination of Kleinman, Rothkopf, and others.

Another group in Cleveland which is somewhat important also is the one headed by Shondor Birns. Associated with him there also is Charles "Chuck" Amata. Both Birns and Amata called, for example, Mickey Cohen, the west coast racketeer. Shondor Birns also flew down to Miami to see John King and Al Polizzi in behalf of Max Diamond who was in trouble in this black-market case that I mentioned a few moments ago.

In Detroit Pete Licovoli, alias Pete Licavoli—just a difference in spelling—is one of the most important racketeers. Licovoli together with George Zirilli, and William "Black Bill" Tocco, have been in control of the numbers racket. In earlier years Joe Massei who is now in Miami, was associated with Pete Licovoli, "Black Bill" Tocco and Joe Zirilli, and it is believed that Joe Massei still plays some part in the Detroit area.

Sam Buffa, who operates the Sky Club in Battle Creek, Mich., is said once to have worked for Joe Massei. Associated with Sam Buffa is a man by the name of Tony Scalise, who at one time was a part of Pete Licovoli's crowd. In fact, Tony Scalise was once the bodyguard for Pete Licovoli.

Early in 1950 when the Los Angeles police were attempting to locate Jack Dragna, they seized the records that I mentioned before and included in those records were the names and addresses of some of our important members of the Capone syndicate, in Tampa, Fla., and all parts of the country. Included in these records also were the following names and addresses indicating a close association with Jack Dragna, the most notorious gangster on the west coast perhaps: Pete Licovoli, Tuxedo 22077, 1154 Balfore Road, Crosse Point Park, Mich.; Joe Zirilli, 702 Middlesex, Crosse Point Park, Mich.; William Tocco, 781 Middlesex, Grosse Point Park, Detroit, Mich.; Vito Tocco, apparently at the same address as William Tocco; and one John Priziola, 1349 Devonshire Road, Grosse Point Park, Mich. Originally the name of Vito Tocco appeared at the top of the list and later it was put down and the address was scratched out and it was put down in the list with the other names. That is not very important but I mention it.

Also associated with Pete Licovoli, Joe Zirilli, and "Black Bill" Tocco in the numbers racket and other activities of that nature were Long Joe Bommarito, Sam Lucido, Bill Bommarito, Phil Cusimano, Angelo Meli, Pete Corrado, Lee Tourneau, and Buster Lucido. It is claimed that Pete Licovoli and Sam Lucido have also operated illegal gambling joints in Canada. In addition to the numbers racket in times gone by Pete Licovoli and Sam Lucido have also run floating crap games in Detroit. The Detroit papers have also alleged that the wire service for bookies has been operated by a mob headed by Pete Licovoli, Sam Lucido, and others.

Sam Lucido lives on Sunningdale Drive, Grosse Point Park, Detroit, Mich. The Government is allegedly trying to collect back

income taxes from him at the present time. Buster Lucido, a brother of Sam, is a handbook operator. He is also in the numbers racket and owns some legitimate businesses. Pete Licovoli owns a big ranch in Tucson, Ariz. Several months ago the police seized several thousand dream books that are used by numbers-racket suckers at his home. Dominick Licovoli, a brother of Pete, is married to Joe Zirilli's daughter. Pete Licovoli is also reported to be associated with some big-time gamblers in Las Vegas, Nev. The ranch which Licovoli owns in Tucson is known as the Grace Ranch. It is also claimed that he owns another ranch about 11 miles from Tucson. Licovoli is also said to be a friend of Mickey Cohen, one of the biggest gambling racketeers on the west coast, and he also has been friendly with Jimmy Utley, a Los Angeles racketeer.

Another gambling syndicate operated in Michigan is known as the Chesterfield syndicate. It has been operated in Michigan. The head of the Chesterfield syndicate is Mert Wertheimer, who is one of the biggest gamblers in the entire Nation. Wertheimer now has the gambling concession at a hotel in Reno, Nev. Next to Wertheimer in importance in the Chesterfield syndicate was Lincoln Fitzgerald, who is now operating the Nevada Club, Reno, Nev., with Daniel Sullivan, also from Michigan.

Other members of the Chesterfield syndicate in Michigan have included Leftie Clark, Red Gorman, Mike Brunton, and Al Driscoll. Records recently recovered from Frank Erickson by the district attorney in New York definitely established that Wertheimer was a partner in the elaborate gambling casino known as the Colonial Inn, Hallandale, Fla., some time ago.

The CHAIRMAN. Excuse me, Mr. Peterson. Wertheimer operates the gambling casino at Riverside?

Mr. PETERSON. At Reno, Nev.; that is correct.

The CHAIRMAN. Wertheimer operates one at the Mapes Hotel?

Mr. PETERSON. Lou Wertheimer. They are brothers.

The CHAIRMAN. There is something about the RFC in connection with that; is there not?

Mr. PETERSON. There is supposedly a \$907,000 loan.

The CHAIRMAN. How many brothers are there?

Mr. PETERSON. Those are the only two that I know of. There may be more. Mert Wertheimer is the best known of the two.

The CHAIRMAN. I understand they do not get along. Do you know about that?

Mr. PETERSON. I don't know about that.

The records reflected that Wertheimer was associated in the Colonial Inn with some of the most notorious gangsters in the country, including Joe Adonis—

The CHAIRMAN. That is Mert you are talking about?

Mr. PETERSON. That is Mert Wertheimer; that is right.

Joe Adonis, alias Joe Doto; Vincent Alo, alias Jimmy (Blue Eyes) Alo; Meyer Lansky, Jake Lansky, and Frank Erickson, all of whom were members of the Frank Costello mob of New York.

Mr. HALLEY. To bring that up to date, the Colonial Inn is no longer operated as a gambling place, but the same group with some changes are now in a place called Greenacres.

Mr. PETERSON. There are a large number of places there. A couple of years ago, at least, during the height of the gambling season, it

was alleged there were 52 more-or-less elaborate—not all elaborate but places operating in Broward County, Fla. There was good reason to believe that a considerable number of those were controlled by the New York mob. For example, you remember when Jack Letendre started to operate from the Club La Boheme down there, opposition was raised apparently by the New York mob. It was also alleged the Chicago mob may have been included, but they objected very strenuously, and finally he was forced out of the place. When he got back to Rhode Island he was bumped off; he was killed, and every indication was that it had to do with his attempt to get into the gambling business down there in opposition to the mobsters who were running the gambling in Broward County, Fla.

Mr. HALLEY. The murder clarified the financial picture in Broward County.

Mr. PETERSON. Yes.

Mr. HALLEY. Isn't it a fact that that group you have mentioned—I am simply trying to bring your testimony into line with certain facts—are the Colonial Inn group now, and the La Boheme and the Greenacres?

Mr. PETERSON. That is the information that I have. I can't prove that.

Mr. HALLEY. You have been mentioning Joe Massei from time to time as being quite important. Were you informed he had a concession of what is known as the New York crap game down at Greenacres?

Mr. PETERSON. No.

Mr. HALLEY. A big crap game.

Mr. PETERSON. He may have. I don't have that information, however.

Mr. HALLEY. From your knowledge as an expert, will you give your opinion as to how a concession for a very valuable particular crap game in a gambling establishment would be given to one man in that way?

Mr. PETERSON. You mean by the mob or by the authorities?

Mr. HALLEY. You answer it your own way. Take them one, two.

Mr. PETERSON. Usually a particular mob is tied up with the authorities of that particular jurisdiction, which gives them more or less a monopoly, so to speak. In other words, a place doesn't operate unless they have the permission of the authorities. Nobody is foolish enough to open a \$250,000 establishment with the idea that maybe the authorities might find it the next day. In other words, they don't do that. They divide up the territory. It is a matter of record in Chicago years ago that they even had conferences between the gangsters to divide the territory. When you get into somebody else's territory, then you are in trouble. Take, for example, one particular area in Chicago a few years ago. Here is an accurate description of how a gambler operated in this particular area in Chicago. If you wanted to operate a gambling establishment, you first went to the ward committeeman. However, he did not have the final word in that particular ward. This is a few years ago.

Mr. HALLEY. You are now talking about Chicago.

Mr. PETERSON. I am talking about that as an example. You asked how this thing operates. If you went to him and said, "I want to

operate a place at such-and-such an address," the ward committeeman would say, "All right; I will think it over." The ward committeeman contacted the syndicate's representative. The syndicate's representative in this particular area said either "He can go at that address" or "He can't go." If he can go, the syndicate gets 60 percent of the total profits. They put their own man in the place to make certain they get the 60 percent of the profits. All of the protection, everything, was handled by the syndicate. That was in this one district where we developed that information several years ago. That is the way it operates.

The CHAIRMAN. Mr. Peterson, before you continue, Senator Hunt has a question.

Senator HUNT. Mr. Peterson, down in Florida among the records we subpoenaed were some canceled vouchers, checks, made payable to Mickey Cohen. They were checks written by one Mr. Johnny O'Rourke. The evidence given us was to the effect that these checks went up, I believe, to as much as \$5,000 in amount, covered a period of something like 3 months, and there were thirty-some checks. The aggregate amount, I think, was around \$8,000. In questioning O'Rourke with reference to these checks, he said they were horse-race bets that Mickey had placed with him in which Cohen had won. It was an unusual incident that every bet made, Cohen won. O'Rourke won no bets. We asked him why that was. He said he thought it was simply because Mr. Cohen knew the horses better than he knew them.

The question I wanted to ask you is: Do you think that those could have been not horse-race bets, but just Los Angeles fashion "muscling in" on the earnings of the Miami group?

Mr. PETERSON. I think that could very well be. One thing is certain. How many checks were there?

Senator HUNT. I would say about 30.

Mr. HALLEY. About that.

Mr. PETERSON. There is one thing certain, and that is that Mickey Cohen, on the basis of expert knowledge of horses, didn't make 30 bets and win 30 times. That just wouldn't happen—that couldn't happen—unless he also owned the horse that was running and the jockey; I mean, the other horses and jockeys.

Senator HUNT. My statement might have been in error on that particular score to this extent, that there were no checks made by Cohen to O'Rourke. These checks might have been in settlement of half a dozen bets, and there might have been a side bet where Cohen would have lost. But the winnings were always going in one direction, and never did O'Rourke receive money equal to the winnings of Cohen.

Mr. PETERSON. Isn't it possible he was the lay-off man; that Mickey Cohen was laying off for O'Rourke? That might be possible.

Senator HUNT. I do not know. It seemed very strange and odd to us that constantly and without exception in the balancing of accounts Cohen was always the winner.

Mr. PETERSON. I think that is something certainly worthy of a very complete investigation. I would be just hazarding a guess.

The CHAIRMAN. Mr. Peterson, are you at a place where you can pause until the afternoon session?

Mr. PETERSON. Yes.

The CHAIRMAN. How much longer do you think your statement will take? We do not want you to hurry, because this is most useful information for the committee.

Mr. PETERSON. I would say maybe not over an hour.

The CHAIRMAN. The committee will be in recess until 2 o'clock this afternoon at the same place.

(Whereupon, at 12:15 p. m., the committee recessed until 2 p. m. the same day.)

AFTERNOON SESSION

(The committee reconvened at 2:30 p. m. pursuant to the taking of the noon recess.)

The CHAIRMAN. The committee will come to order. The chairman wishes to apologize for the 30-minute delay to the Senator and everyone else, but it was because of a conference in advancement of the work of the committee.

Senator WILEY. Your fellow Senator accepts the apology, but don't make it a precedent. [Laughter.]

The CHAIRMAN. Mr. Peterson, will you continue?

FURTHER TESTIMONY OF VIRGIL W. PETERSON, OPERATING DIRECTOR, CHICAGO CRIME COMMISSION, REPRESENTING THE AMERICAN MUNICIPAL ASSOCIATION

Mr. PETERSON. Yes.

Lincoln Fitzgerald and Daniel Sullivan were fugitives from Macomb County, Mich., until they finally went back and paid fines and costs totaling \$52,000. About midnight on November 18, 1949, as Fitzgerald was leaving his home in Reno for his Nevada Club, he was ambushed and shot.

With reference to the old Purple Gang in Detroit, it is claimed that Joe Irving and Izzy Burnstein are now in California. Joe Burnstein resides in San Mateo, Calif. Before he left Miami in July 1949, he had been in the beer distributorship in Florida. Irving Burnstein resides in Los Angeles and is daily observed in various restaurants where he associates with gamblers and hoodlums. In November 1942 the Los Angeles police arrested him and released him to Michigan authorities, who at that time suspected him of being the payoff man for the Purple Gang in Detroit. Izzy Burnstein has been reported as being active with Sam Koven in the wire service and bookmaking activities in the San Diego, Calif., area. Izzy and Joe Burnstein have been frequent visitors at the Pacific News Tavern at 356 East Third Street, San Mateo, which is a big bookmaking establishment.

William Swartz, who was formerly the manager of Thomas J. McGinty's Mounds Club in Lake County, Ohio, as of May 20, 1936. McGinty's Cleveland office was then in the Hollenden Hotel, Cleveland. William Swartz came to the Hollenden Hotel to pick up the Mounds Club payroll on May 20, 1936. As he left the hotel he shot and fatally wounded Harry (Champ) Joyce. William Swartz was brought to trial and was defended by McGinty's lawyer, Richard Moriarty. He was convicted of manslaughter and on October 27,

1936, was sentenced to a term of 1 to 20 years in the Ohio State Penitentiary. He was released on parole November 8, 1938.

At the time of the trial William Swartz testified that he lived at the Hollenden Hotel and the preceding winter he had worked for Thomas Jefferson McGinty in Miami. Joyce, the deceased, had gone to Miami with the rest of the McGinty crowd to operate McGinty's gambling establishment. Upon returning north Swartz began working for McGinty, but Joyce was not rehired. Apparently an argument ensued which resulted in the shooting. At the trial, William's brother Howard was one of the spectators. Approximately 10 years ago William and Howard Swartz went to Chesapeake, Ohio, where they operated the Continental Club. In 1949 Ohio refused to renew a liquor permit for the Continental Club. In its application the Continental Club alleged that it was run by the Chesapeake Operating Co. and named as its officers Jack Goodman, 2952 Hampshire Road, Cleveland, as president; A. E. Giessey, vice president, and E. W. Sauers, secretary. These men, Giessey and Sauers, had been the accountants for the Cleveland syndicate. Jack Goodman is an ex-prize fighter and has been associated with Thomas Jefferson McGinty's operations for many years. Giessey is an accountant who represents the Pettibone Club operated by the Cleveland syndicate, and Sauers is an accountant in the same office. In the fall of 1949 William Swartz, Howard Swartz, and one James Dougherty moved into West Virginia and began remodeling a place in Huntington, W. Va., for gambling purposes. According to authorities in West Virginia, the same group are allegedly engaged in gambling operations in Clarksburg, Parkersburg, and Wheeling, W. Va. To all appearances, these operations are actually those of the Cleveland syndicate.

I should have mentioned that in connection with the Cleveland group, but I got it in the wrong place.

Going very briefly to St. Louis, the two first names are well known to this committee: James J. Carroll, of St. Louis, considered one of the largest betting commissioners in the United States; also located in St. Louis is Morris L. Cooper, another large betting commissioner who maintains connections from San Francisco to Boston.

Louis Casper "Red" Smith, who was mentioned in the testimony before this committee, is a well-known St. Louis, Mo., gambler and gangster. As a matter of fact, in a story in the St. Louis Post-Dispatch it was alleged that Smith participated in a conference of gamblers at the Hyde Park Club, Venice, Ill., just a short time before the gang murder of Charles Binaggio took place in Kansas City on April 5, 1950. It was claimed that there was some connection between the Binaggio affair and this conference.

Thomas Whalen was a muscle man for the Egan gang of St. Louis for many years. It is claimed that Whalen made a good impression on Murray Humphreys, a top-ranking member of the Capone gang, and Humphreys induced Whalen to come to Chicago about 1947. Whalen has been considered a good St. Louis contact for the Capone mob in Chicago.

Tony Giardano, handbook operator of St. Louis, Mo., is one of the foremost gangsters in the city. He also operates in Kansas City, Los Angeles, and other places.

Tony Giardano is reportedly closely associated with Chicago Capone gangsters. It is claimed that he goes to Chicago on frequent visits

and that he is contacted in St. Louis by Chicago mobsters. He has been associated with some of the most notorious hoodlums in the St. Louis area. In 1941 Tony Giardano and three associates were arrested as they were using field glasses to case a roadhouse they planned to rob. Tony Giardano has a record of 55 arrests in St. Louis. In 1941 the chief of police of Collinsville, Ill., was fired when it was exposed that he had released Tony Giardano a few hours before Los Angeles authorities came for him with extradition papers. He was questioned in connection with a gang killing of one Lawrence Drewier in 1946. The same year he was questioned regarding a hold-up of a traveling dice game known as Town Game. The hold-up occurred in University City, Mo. On May 23, 1946, he was arrested and identified as a participant in a big jewel robbery but the prosecuting witness later changed her story. Tony Giardano has two brothers, Sam and Joe. Information was received that Tony Giardano and his two brothers have been contacting Frank Cappola in Tia Juana. It was claimed that Cappola had connections with Frank Costello and that Cappola was deported from New Orleans in 1949.

Joe Giardano, a brother of Tony and Sam, was charged with the killings of Vincent Barber and Salvatore Faraci, Italian gangsters in St. Louis, in the late 1920's. He was never convicted of the charge, however. Joe Giardano was convicted of an \$8,000 payroll robbery of the East St. Louis & Suburban Railroad in 1928 but was later pardoned when a notorious hoodlum, Freddy Wooten, made an affidavit in prison that he and associates committed the robbery. In 1942 Joseph Giardano was held in the \$21,000 robbery of the Crause Gold Refinery in Kansas City, but another ex-convict admitted the robbery and he was exonerated.

Sam Giardano, who is an ex-convict, is considered the least harmful of the three brothers. He was arrested, however, in connection with the \$16,000 robbery of the Country Club Distributing Co., Alton, Ill., on May 8, 1941. Sam Giardano was arrested in this case in Los Angeles. Nothing came of the charges.

These men as I mentioned before allegedly have been contacting Frank Cappola in Tia Juana, who in turn has a connection with the New York mob.

Frank Buster Wortman, East St. Louis, Ill., has long been considered one of the most important figures in the organized gambling racket in that area. Wortman is said to have served in Alcatraz, and while there he met Cotton Eppelsheimer, who hid out at Wortman's place until he died in 1948. Wortman was at one time connected with the Egan gang of St. Louis and with the Shelton gang in southern Illinois. In 1948 it was reported that Wortman and Chippy Robinson were field agents for the Capone gang in the vicinity of St. Louis and East St. Louis, Ill.

Frank Robinson, alias Chippy Robinson, the man I just mentioned together with Frank Wortman, is considered one of the important figures in the organized gambling racket in that area, and they are claimed to be field agents for the Capone syndicate.

Going briefly to Kansas City, as you know, on the night of April 5, 1950, Charles Binaggio, the gambling boss and lord of the underworld in Kansas City, Mo., was shot and killed in a typical gang slaying. The partner and bodyguard of Binaggio, Charles Gargotta, a notorious gangster, was also slain at the same time. The kingpins of the

Kansas City underworld today are largely associates of Binaggio and Gargotta.

Just a few names.

The first one, James Balestrere, alias James Balestreri, is one of the most powerful hoodlums in Kansas City. Some well-informed individuals from Kansas City considered this man of equal importance in the underworld with Binaggio prior to his murder.

Charles Vincenzo Corollo, alias Charles Charley the Wop, has been one of the most notorious gangsters in Kansas City, Mo., for many years. His power goes back to the days of Johnny Lazia in the early 1930's. Corollo was a close associate of the slain gambling bosses, Charles Binaggio and Charles Gargotta, both of whom were killed on April 5, 1950, James Balestrere, Gaetano Lacoco, and Tony Gizzo, who are other pals of Corollo. In 1939 Federal Judge Albert L. Reeves said of Corollo: "I never saw any one individual in all the years I have been connected with the United States Government who seemingly had so much power * * *." That was said of Corollo in 1939.

Gus Gargotta is a Kansas City, Mo., gambler and underworld leader. He is a brother of the slain Charles Gargotta. Gus Gargotta, Charles Binaggio, Nick Penna, and Tony "Slick" Bondon, and Fred Wedow operated the notorious Green Hills Country Club, a gambling resort, in Platte City, Mo.

Gus Gargotta also, incidentally, was arrested in Iowa some time ago in connection with an alleged robbery of a gambling joint there when they were muscling into that area near Council Bluffs.

Tony Gizzo is a well-known Kansas City, Mo., hoodlum who was closely associated with Charles Binaggio for at least two decades before Binaggio was slain on April 5, 1950. For example, on January 18, 1930, 20 years ago, Gizzo was arrested with Binaggio in Denver, Colo., on charges of carrying concealed weapons. Each received a 90-day sentence which was suspended on condition that he leave Denver, Colo., within 6 hours. At the time of Binaggio's murder, the Duke Sales Co. was the wholesale distributor for Canadian Ace beer in Kansas City. Both Tony Gizzo and Binaggio were profitably connected with the Duke Sales Co. Gizzo persuaded tavern keepers that they should use Canadian Ace beer. Gizzo received 25 percent of the profits. Louis Greenberg, a principal stockholder in the Canadian Ace Brewing Co., Chicago, testified before the congressional committee investigating the paroles of four notorious Capone gangsters by the Federal Government that he had known Tony Gizzo for the past 15 years. He stated that Gizzo had been connected with a distributing company that handled Canadian Ace Beer in Kansas City. Greenberg also admitted knowing the four paroled Capone convicts, Phil D'Andrea, Charles Gioe, "Little New York" Campagna, and Paul Ricca. He also admitted that when Frank "The Enforcer" Nitti, head of the Capone gang, committed suicide in 1943, that he, Greenberg, was holding \$65,000 of Nitti's money, which he turned over to Nitti's estate. Tony Gizzo has been prominently identified with the gambling racket in Kansas City. In 1941 Tony Gizzo, Charles Binaggio, Mel Levitt, and Joe Danzo started a horse-race book in the Coates House cigar store. The Federal grand jury recently found that the net take in this place in 1947 was \$100,000.

Edward P. Osadchey, alias Eddie Spitz, is one of the most important gamblers in Kansas City. He was a henchman of Charles Binaggio

before the death of Binaggio on April 5, 1950. When the Binaggio gang muscled into the Stork Club, a gambling casino at Council Bluffs, Iowa, the place was managed by Edward Osadchey and Morris "Snag" Klein, of Kansas City, and George Beskas and Charles "Snooks" Hutter, Jr., of Omaha. The latter two, Beskas and Hunter, are of Omaha. Another Binaggio henchman frequently appeared at the Stork Club at regular intervals, Kansas City gambler and Binaggio associate, Louis "Duke" Sarno. Just before they were killed, Binaggio and Gargotta left the Last Chance Tavern on the Kansas-Missouri State line for their headquarters, where they were murdered. The Last Chance was a gambling establishment owned by several partners including Charles Binaggio, Charles Gargotta, Tano Lacoco, Morris "Snag" Klein, Edward P. Osadchey, alias Eddie Spitz, and John Goulding. The wire service in Kansas City which services the handbooks is also owned by Tano Lacoco, Edward P. Osadchey, Morris "Snag" Klein, and, before his death, Charles Gargotta. The horse-race news has been furnished by Continental Press in Chicago.

Max Jaben, Kansas City, Mo., gambler and associate of Charles Binaggio, took over the policy wheels formerly operated by Celestine (Bud) Tralle through muscling tactics. Jaben's partner in the policy racket is John Mariginacini. In 1949 Max Jaben and Charles Binaggio obtained the gambling concessions at Central City, Colo. It was also claimed that Max Jaben, Charles Binaggio, Walter Rainey, and others operated slot machines in Colorado Springs, Trinidad, and Pueblo, Colo.

Tano Lacoco is one of the top-ranking underworld characters of Kansas City. He is an associate of James Balestrere and is considered a gangland enforcer. As previously indicated, he has been a partner with leading Kansas City gamblers in the Last Chance Tavern and is one of a group that controls the wire service. He is also known as Tano Lococo.

Joe La Scuolla, alias Joe School, is another Kansas City underworld character who was associated with Charles Gargotta and Charles Binaggio. He has been a part of the Kansas City gambling set-up and has a lengthy record. Another well-known Kansas City hoodlum is Sam Goldberg. Recently he was charged with a race-track swindle involving \$112,000, but was freed.

Charles Bruno, another associate of Charles Binaggio, has a police record going back to 1919. He was shot just the other day. He has been convicted on narcotic violations and has been arrested on charges of car theft and robbery, although not convicted of those offenses. He owns three taverns which have been characterized as breeding places of juvenile gangsters. Together with Raymond Muller he operates the Kansas City Bonding Co., the largest concern that bonds criminals in the city. Bruno was born in Italy as Vincenzo Pasqualino.

About two decades ago the underworld in Colorado was dominated by a gang headed by Pete and Sam Carlino. These men were killed in gang warfare. In Pueblo, Colo., Charles Blanda succeeded to the leadership of the underworld. Associated with Blanda in that area as a leader of the rackets is Tom Incerto, alias Whiskers Incerto. Early in 1950 the Los Angeles police, when they seized records from Jack Dragna, it was brought out that these records contained the address of Charles Blanda, 1104 Cartaret Street, Pueblo, Colo., indi-

cating the close connection between Blanda and Jack I. Dragna, the most notorious gangster on the west coast.

Also recorded on the address book of Dragna's lieutenant was the following: Carl Cascio, 506 East Evans Avenue, Pueblo, Colo., as well as his telephone number, 6462. Carl Cascio is said to be the guiding spirit behind the Owls Den, formerly known as the Forty Niners Club, located near Blend, Colo. Cascio is in the gambling racket and is associated with Turk Spinuzzi and Scotty Spinuzzi, who are known as the enforcers for Charles Blanda.

Likewise recorded in the address book recovered from Jack I. Dragna in Los Angeles was the following: Joe Salardino, 827-4, the telephone number, address 725 Greenward, Canon City, Colo. Joe Salardino and his brother, Gus Salardino, operate the Paradise Club, which is an important gambling establishment on the outskirts of Canon City, Colo. This place receives its wire service from the North Federal Brokerage Co., 4501 North Federal Boulevard, just outside of Denver. It is known definitely that Clyde Smaldone has a connection with the last-mentioned place.

Clyde Smaldone and Eugene Smaldone are in control of a gang that dominate northern Colorado. The principal enforcer for the Smaldone gang is Frank "Blackie" Mazza, who is principally a slot-machine man.

Also recorded in the address book from Jack Dragna was the name Joseph Bonanno, 114 Jefferson Street, Brooklyn, N. Y. This man also is known as Joe Bananas. He is allegedly tied up with several enterprises, including laundries, and he is also connected with the Colorado Cheese Co., Trinidad, Colo., which is a distributor for Italian cheese.

In Louisiana the Frank Costello mob of New York has been deeply entrenched for almost two decades. In 1934 Mayor LaGuardia of New York launched an effective campaign against the slot-machine activities of Frank Costello and Dandy Phil Kastel. Through a deal with Huey Long, Costello and Kastel moved into New Orleans where their business flourished. In recent years Mayor deLesseps Morrison drove the slot-machine business of Costello and Kastel out of New Orleans proper. Several hundred machines owned by this group were seized in a New Orleans warehouse. Kastel instituted legal proceedings but the mayor prevailed in court. In Jefferson Parish, just outside of New Orleans, there is located the Beverly Country Club, one of the most elaborate gambling casinos of the Nation. This place is principally owned and operated by Frank Costello, Philip (Dandy Phil) Kastel, and Costello's brothers-in-law, Dudley and Harold Geigerman.

Carlos Marcello, 320 Romain Street, Gretna, La., is also a stockholder in the Beverly Country Club gambling casino. It is said that he is practically equal in power with Dandy Phil Kastel in the operation of this place. In 1949 Marcello and associates attempted to organize a union of handbook employees through a local A. F. of L. leader. An attempt was made by Marcello to effect a deal with the New Orleans administration whereby 150 handbooks would be permitted to operate in the city. Carlos proposed that the city hall would have the right to name many of the handbook employees and the city treasury would receive a certain amount of the proceeds. The Continental Press Racing Service was to serve the handbooks. Carlos

Marcello apparently was active in the affairs of the Continental Press in that area. The Continental Press dispatched its service into an office building in Gretna, La., the parish seat of Jefferson Parish.

Incidentally, the offer that Marcello made was not accepted. It was turned down, of course, obviously by the city administration. It was also understood that Marcello and associates are in the money-lending business for barroom and night club proprietors and various other establishments in Jefferson Parish. Marcello and associates supply slot machines, pinball machines, juke boxes, and coin machines. Marcello and his associates lend money at an annual interest of 2 percent. In return for this low rate of interest the proprietor must agree to use only syndicate machines. The barroom or tavern keeper is thus under a financial obligation directly to the Marcello syndicate. Marcello has the reputation for being the head of the Mafia in that area. He has the reputation for being a dangerous individual and no one will testify against him. The mayor of New Orleans has indicated that he is also facing deportation proceedings.

The CHAIRMAN. He is a native of Italy, I believe.

Mr. PETERSON. Yes. Mayor Morrison informed me he understands that he is facing deportation proceedings at the present time. I have not verified that.

In Las Vegas, Nev., members of the notorious Frank Costello mob became firmly entrenched through Benjamin "Bugsy" Siegel, who constructed and operated the Flamingo Hotel, one of the most elaborate gambling establishments in America. Siegel was one of the most notorious gangsters in the country, and in the East was associated in illegal activities with Frank Costello, Joe Adonis, Meyer Lansky, Charles "Lucky" Luciano, Abner "Longie" Zwillman, Moe Sedgwick, Louis Pokrass, and numerous others. Louis Shomberg, alias Dutch Goldberg, was one of the most powerful gangsters in America in the early 1930's, and was also associated with this group in the East.

It is claimed that Siegel was brought to the west coast by Joe Adonis. In 1940, he was arrested for the Hollywood murder of Harry (Big Greeny) Greenberg. Greenberg was once the chief muscle man for Louis (Lepke) Buchalter, head of Murder, Inc., in New York City. When Greenberg threatened to blackmail Buchalter's mob, Siegel was alleged to have murdered him. Siegel had been closely associated with Buchalter's mob in the East as had many others in the Costello organization. In the East, Siegel, Charles "Lucky" Luciano, and Meyer Lansky had comprised the enforcement branch of the Costello organization. It was known as the Bug and Meyer mob of executions. Siegel was not convicted for the Greenberg murder. While in custody he was given privileges which indicated he was considered a man of importance. He made 19 visits outside the jail while awaiting trial for murder.

In Los Angeles, Siegel became closely associated with Allen Smiley, whose real name is Aaron Smehoff, FBI No. 1306281. Smiley has a long criminal record. He has been arrested numerous times and was charged with failure to register under the Alien Registration Act. When Siegel moved into Las Vegas Smiley went with him as a constant companion and aide.

Closely associated with Benjamin "Bugsy" Siegel in the Flamingo Hotel venture in Las Vegas was Louis Pokrass, who had been connected with the Costello-Siegel-Lansky group in the East, and Moe

Sedway, also a long-time associate of Siegel. A large amount of money for the Flamingo Hotel venture was obtained from the East from the Rothberg brothers, Henry and Sam, or Harry. I don't have their exact names. There was also a strong indication that \$300,000 in the form of a loan was furnished by Charles Fischetti and Rocco Fischetti, leading members of the notorious Capone syndicate of Chicago. As of 1947, the principal officers and directors of the Flamingo Hotel included Benjamin Siegel, president; Louis Pokrass, vice president; G. H. Rothberg, treasurer; and Moe Sedway was one of four directors, including Siegel, Rothberg, Pokrass, and Sedway. N. Joseph Ross was listed as secretary, and his residence address was given as 9700 Wilshire Boulevard, Los Angeles. Benjamin "Bugsy" Siegel became the "big shot" of gambling in Las Vegas.

During this same period the Chicago Capone syndicate was launching its Nation-wide drive to control the racing-news service through the Trans-American Publishing & News Service, Inc., which it had formed and placed in competition to the Continental Press. There was considerable violence in many parts of the Nation. James M. Ragen, part owner and general manager of Continental Press, had been threatened by Tony Accardo, Murray Humphreys, and Jack Guzik, leading members of the Capone syndicate in Chicago. Ragen was ambushed and shot on June 24, 1946, and subsequently died.

In Las Vegas Benjamin "Bugsy" Siegel was the Capone syndicate's representative for the Trans-American Publishing & News Service, Inc. He engaged in muscling tactics, and many handbooks that did not want to drop the Continental service found it necessary to take the Trans-American service as well, and pay for both services.

A bitter fight was waging among the wire-service representatives. On June 13, 1947, Ralph O'Hara announced in Chicago that the Capone syndicate's Trans-American Publishing & News Service, Inc., was going out of business. A few days later a conference among the wire-service representatives of Nevada and California was held in Siegel's Flamingo Hotel. A few days later Benjamin "Bugsy" Siegel was shot and killed in gangland fashion as he sat on a couch in a home at 810 Linden Avenue, Beverly Hills, Calif. This place had been rented by Siegel's girl friend, Virginia Hill, who had departed for Paris about a week earlier. Allen Smiley was with Siegel when he was shot.

After Siegel was killed, Sanford Adler became the president of the Flamingo Hotel. Morris Rosen from New York then entered the picture. Morris Rosen was believed to be a representative of the Frank Costello group in New York. Information was received to the effect that Morris Rosen had been a close associate of Louis Shomberg, alias Dutch Goldberg, since prohibition days.

Rosen entered into a controversy with Sanford Adler over the Flamingo Hotel. Morris Rosen demanded that Sanford Adler deliver certain stock certificates to him which would give Rosen and his associates control of the Flamingo Hotel and gambling Casino. About April 5, 1948, Rosen and Adler had a fight in the patio of the Flamingo Hotel. Adler ran into the hotel calling for help. Fearing for his life, Adler apparently relinquished his interest in the Flamingo to Rosen and his associates. He also sold his interest in the Rancho

Vegas and purchased a hotel and gambling spot known as the Calineva on the Nevada side of Lake Tahoe.

By the latter part of June 1948, the majority stockholders of the Flamingo Hotel were Gus Greenbaum of Phoenix, Ariz., who had been friendly with Siegel, Elias Atol, Minneapolis, Minn., believed friendly with the Siegel interests, Moe Sedway, the former partner of Siegel, and Morris Rosen.

After Morris Rosen became the "big shot" in the Flamingo operations, Rosen and Moe Sedway attempted to control the wire service in much the same manner as had Benjamin "Bugsy" Siegel. On November 13, 1948, following a so-called cold warfare over the wire service, Dave Stearns, Sam Stearns, and Ed Margolis of the Santa Anita Turf Club of Las Vegas filed a suit in Federal court naming as defendants the following: Tom Kelly, Chicago manager of the Continental Press, Arthur (Mickey) McBride, and Moe Sedway, and Morris Rosen, as well as Connie J. Hurley, a Continental official. Sedway and Rosen were the owners of the Golden Nugget Racing Service of Las Vegas. Damages in the sum of \$137,879 were sought on the ground that the defendants had been refusing the plaintiffs wire service in violation of the Sherman Antitrust Act. A defense to the suit was made on the ground that Arthur McBride was wrongfully named as a defendant since Continental Press was owned by McBride's son, Edward J. McBride, and not by Arthur McBride, as named in the suit. The Nevada Tax Commission, after hearings on the wire service, forced Rosen to cease active operations in the State. Morris Rosen returned to New York City, but at last reports, which is a number of months ago now, he still claimed to own a sizable interest in the Flamingo Hotel.

Morris Rosen, through whom it is believed that the Siegel-Costello mob's interest in the Flamingo was perpetuated, was born in Russia on December 4, 1899, and is a naturalized citizen. His wife and son live at 118 Riverside Drive, New York. His sister, Leah Rosen, operates the Mid-Manhattan Liquors, a package liquor store on Eighth Avenue, New York City. The New York State Liquor Authority held hearings with reference to this establishment because of allegations that Morris Rosen had an undisclosed interest in the place. This fact could not be established, however. Morris Rosen stated at the hearing that he was connected with the American Spirits, Inc., a subsidiary of the American Distilling Co., with which the Rothbergs are affiliated. It will be recalled that the Rothberg brothers furnished large sums of money for Siegel's Flamingo Hotel.

Morris Rosen was convicted in New York City March 21, 1940, for bookmaking and was fined \$40. Arrested with him at the time were Emil Gleickman, Henry Siegel, and Charles Cooke. As previously indicated, Morris Rosen was formerly friendly with Dutch Goldberg.

Barney Ruditsky, who handled bad checks for the Flamingo Hotel during the Siegel regime, claimed that Louis Shomberg, alias Dutch Goldberg, together with Abe Zwillman from New Jersey, Harry Rosen from Philadelphia, and the Fischettis from Chicago, had money invested in the Flamingo. This assertion, of course, has not been verified.

With reference to Elias Atol, who became a director in the Flamingo Hotel, information received from New York alleged that Moe Sedway was friendly with a Mike Atol who was an associate of Meyer Lansky in a Las Vegas gambling venture.

Mike Atol, allegedly a friend of Meyer Lansky, and who is engaged in gambling activities in Las Vegas, Nev., was formerly affiliated with the Gopher Sales Co., 143 Michigan Avenue, Duluth. He was engaged in the distribution of slot machines and juke boxes. It is also alleged that he was closely associated with Sam Taran from the Twin Cities.

Next to the Flamingo Hotel, the Desert Inn, which was opened in Las Vegas, Nev., in 1950, is perhaps the next most elaborate gambling casino in America. As of February 1950, the Desert Inn was controlled by the Cleveland syndicate. Moe Davis, alias Moe Dalitz, is the treasurer and secretary of the Desert Inn. The attorney, as I previously mentioned, for Dutch Schultz of New York, wrote in 1939 that Moe Davis was the Cleveland representative for Charles "Lucky" Luciano, Benjamin "Bugsy" Siegel and Meyer Lansky.

Members of the Davis group are known to be in touch with Abner "Longie" Zwillman in New Jersey. Moe Davis is also a contact of Allen Smiley, the close associate of Benjamin "Bugsy" Siegel.

Morris Kleinman is the vice president of the Desert Inn, Las Vegas. His residence address is 12701 Shaker Boulevard, Suite 802, Cleveland. Kleinman was once a Cleveland pugilist, and has been associated with Moe Davis for many years. Kleinman was convicted of income tax evasion and was released from the United States Penitentiary, Lewisburg, Pa., in September 1936, after having served 3 years.

Thomas Jefferson McGinty, from Cleveland, is a stockholder in the Desert Inn. McGinty, together with Moe Davis, alias Moe Dalitz, Morris Kleinman, Lou Rothkopf and others, have long operated one of the most powerful gambling syndicates in the Nation. McGinty is known as the operator of the notorious Mounds Club near Cleveland. His gambling operations have extended to Florida as well as to Ohio and Kentucky.

Sam Tucker, another member of the Cleveland combination, is a director of the Desert Inn. In recent years he has been in charge of the syndicate's three large gambling casinos in Kentucky across from Cincinnati. In addition to the indictment returned against Tucker, Kleinman and Moe Davis in Buffalo for rum running, he has also been named in a suit filed in 1938 by a teller of the Cleveland Trust Co. who was sentenced to Leavenworth Penitentiary for embezzlement. The suit was filed against the Ohio Villa Club, a notorious gambling place, to recover money lost there. Named as operators of the place were Sam Tucker, Morris Kleinman, and others.

Tucker has also been engaged in gambling operations in Florida. He has listed as his address 1347 Biscaya Drive, Surf Side, Miami Beach, Fla.

Cornelius J. Jones, 638 Lawson Avenue, Steubenville, Ohio, is a director in the Desert Inn. Jones has been one of the partners in the Mounds Club operated by Thomas J. McGinty and others near Cleveland for many years.

Lou Rothkopf, alias Lou Rhody, alias John Zarumba, Fenway Hall Hotel, Euclid Avenue and One Hundred and Seventh Street, Cleveland, Ohio, is not officially connected with the Desert Inn. He spends a large amount of time in Las Vegas, however. He has long been an important member of the Moe Davis, Morris Kleinman, and Thomas J. McGinty combination. Rothkopf has connections with some of the most notorious racketeers in America. He was in telephonic commu-

nication with Mickey Cohen, Los Angeles gambling racketeer. He has also been in telephonic communication with Abner "Longie" Zwillman of New Jersey. While Rothkopf was staying in Los Angeles in 1949, he made telephone calls to Jack I. Dragna at the Flamingo Hotel in Las Vegas and to Allen Smiley, who was then called also at the Flamingo.

Allen Smiley, alias Aaron Smehoff, has remained close to the Las Vegas gambling picture after the murder of his friend, Benjamin "Bugsy" Siegel. Reliable information indicates the strong possibility that he may have a small interest in one of the important gaming houses there. Several months ago, Smiley brought an oil man to the Flamingo Hotel casino where the man lost a small fortune. He also brought the same man to the Beverly Country Club near New Orleans where he also lost heavily. The Beverly Country Club is owned by Frank Costello, Dandy "Phil" Kastel and others. It was also claimed that Smiley brought this man to Moe Davis some place in the Middle West and he again lost heavily. Smiley is undoubtedly close to the Cleveland syndicate.—

The CHAIRMAN. What do you mean by a "small fortune"?

Mr. PETERSON. To me, \$100,000—maybe it wouldn't be a small fortune.

The CHAIRMAN. Is that the amount he lost?

Mr. PETERSON. On two occasions he was alleged to have lost \$100,000. I say "reliable information." I checked on this story through the police department of the area with reference to the man that he took to those places, and the police department there verified the information that this had happened. I mention it because there are a couple of things that seem rather significant. First, he is taking them to the same places that this New York group with which he has been affiliated are close to. I think Smiley is still—

The CHAIRMAN. Is the name of the man known publicly?

Mr. PETERSON. No; but I can give the name of the man to the committee off the record.

The CHAIRMAN. It should not be made public?

Mr. PETERSON. I don't think so; no. The man who supposedly lost all the money can afford to lose it; as a matter of fact. He is a very wealthy individual.

Senator WILEY. What significance do you draw from that?

Mr. PETERSON. The significance I draw from it is that Allen Smiley is still a representative of the New York gang and takes people—I say "takes them." He is an advance agent, so to speak, who brings people to some of these places, in other words, good customers. He is a good sales representative for these places. That is the significance I place on it. When you consider that he is taking them to the Beverly Country Club in New Orleans, to the Flamingo Club in Nevada and then, before the Davis interests came out there, allegedly to Moe Davis, good sales representative for these places. That is the significance that I place on it.

Senator WILEY. There is no other implication. You could not infer that he had to pay off something?

Mr. PETERSON. Oh, no. It was a gambling loss, strictly.

Senator WILEY. That was strictly a gambling loss?

Mr. PETERSON. This fellow Smiley has developed a very close association with this man. I will give the committee the name.

Jack I. Dragna, the Capone of Los Angeles, has operated the Universal Sports News which covered California and also parts of Nevada. For a long time Dragna has been attempting to get a foothold in Las Vegas in gambling activities. Only recently, Dragna did purchase an interest in a Las Vegas establishment which is not primarily a gambling place. It is believed that he now has his foot in the door, and with many friends in that area he at least hopes to get firmly established in that area.

One of his friends is Lester (Benny) Binion, who has been the king of the rackets in Dallas, Tex. He has been firmly entrenched as a gambling house operator in Las Vegas, Nev., for many years. In recent months, efforts were made to extradite Benny Binion to Texas to stand trial on an indictment returned against him there. These efforts were unsuccessful.

Binion's development into a big racket boss extends over a period of many years. In the early 1920's, organized gambling in Dallas was controlled by a man by the name of Warren Diamond. Diamond remained the king pin for a period of 10 or 15 years. His principal lieutenant was Ben Whitaker, who became the boss in the 1930's. Under Whitaker, all forms of gambling, including policy, flourished in Dallas. Whitaker's two principal lieutenants were Benny Bickers and Benny Binion.

Binion came to Dallas as a ranch youth who became a part of the Diamond-Whitaker combination due to his toughness. Binion eventually took over part of the policy racket. Whitaker had a dislike for policy, except for the assessments, because of the frequent violence that was attached to policy operations.

On September 12, 1936, Ben Freiden, who was a big policy operator, was gunned to death on a downtown Dallas street. Almost immediately Benny Binion became the king of the policy racket, and eventually gained control of about 20 wheels.

Binion was questioned in connection with the Freiden killing, but was released on December 28, 1936. Binion had previously been charged with carrying concealed weapons on September 30, 1932. He had also received a suspended sentence following a conviction in connection with the killing of a Negro bootlegger on May 25, 1932.

Beginning in 1936, Benny Binion launched into a program of protection for gamblers. The sale of protection later included hijackers, safe men, and other types of hoodlums. One of the big-time Dallas gamblers who refused to pay off to Binion was Herbert Noble. He became a bitter enemy of the Binion combination. Seven attempts have been made on Noble's life. On New Year's Eve 1949 Noble was ambushed and shot near his home at 311 Conrad Street, Dallas, Tex. He was taken to the Methodist Hospital, and while he was recovering from his wounds was again shot as he lay in the hospital on February 7, 1950. On Christmas Eve 1949 Hollis Delois Green was blasted at the Sky-Vu Club in Dallas. It was rumored that Green was blasted because he bungled the attempted assassination of Herbert Noble on November 29, 1949. On that date, Mildred Noble, the wife of Herbert Noble, was killed when she stepped on the starter of her husband's automobile in front of their home and it exploded.

Green had been hard pressed for cash to fight indictments which would have meant life imprisonment if convicted. He had allegedly attempted to obtain cash from Benny Binion and from Sam Maceo,

a big Galveston gambler. Binion was rumored to be looking for Green in order to make him pay back the money he had given him.

In Dallas, Binion's associates included Ivy Miller and Earn Dalton, who ran a gambling joint known as the Top of the Hill, just outside the city limits of Dallas.

As previously indicated, Binion has been firmly entrenched in the gambling business in Las Vegas for several years. Approximately 3 years ago, Binion's associate killed a man in Binion's Las Vegas gambling establishment. He was convicted and is now serving a prison sentence. Binion is tied up with Allen Smiley and is also an important Las Vegas connection for Jack I. Dagna, from Los Angeles.

In Reno, Nev., Frankie Foster, a Chicago gangster, has operated a horse book for many years. Foster was indicted in connection with the Jake Lingle murder in Chicago many years ago—not in connection with the murder proper, but in connection with the gun used in the Lingle killing. He was not convicted, however. Foster was considered one of Chicago's toughest gangsters in the gang era of the early 1930's.

Mert Wertheimer presently has the gambling concession in one of the big hotels in Reno. Wertheimer is one of America's biggest gamblers. For a time, as I previously indicated, he was in partnership in Florida with some of the most notorious gangsters of the Nation, including Joe Adonis, alias Joe Doto, Meyer Lansky, Jake Lansky, Vincent (Jimmy Blue Eyes) Alo, and Frank Erickson, of the Frank Costello mob. These men, together with Wertheimer, did operate the Colonial Inn, at that time an elaborate gambling place at Hallandale, Fla. Mert Wertheimer was the head of the Chesterfield syndicate, concentrating its activities in Macomb County. It was once powerful politically in Michigan.

Lincoln Fitzgerald, next to Wertheimer, was the most powerful member of the Chesterfield syndicate in Michigan. Other members of the syndicate included Lefty Clark, Red Gorman, Mike Brunton, Al Driscoll, and Daniel Sullivan. Lincoln Fitzgerald and Daniel Sullivan became fugitives from Michigan, where they were under indictment. They finally went back to Michigan and paid fines and costs totaling \$52,000. While they were fugitives they became the owners and operators of the Nevada Club, one of the most important Reno gambling establishments. About midnight on November 18, 1949, as Lincoln Fitzgerald was leaving his home in Reno for the Nevada Club he was ambushed and shot. At first his condition was thought to be critical. However, he recovered. Following the shooting of Fitzgerald two of the individuals under suspicion by the authorities were members of the old Purple Gang of Detroit.

Fred Elkins, originally from Portland, Oreg., moved to Reno, Nev., about 3 years ago. Fred Elkins and his brother, James Elkins, are well known to the Federal Narcotics Bureau in Portland, where they are important members of the underworld. Fred Elkins, FBI No. 394908, was received at the McNeil Island Federal Penitentiary on a charge of counterfeiting on October 4, 1943, on a sentence of 8 years and a \$100 fine. In 1948 Fred Elkins was appointed receiver for a Lake Tahoe gambling place by a Reno judge. Elkins operated this gambling establishment for about 3 months in 1948.

For many years two of the most influential men in the Reno gambling set-up have been James C. McKay and William J. Graham. It

was claimed that for years these two men controlled Reno politically and financially.

After three trials in Federal court in New York City, Graham and McKay were convicted of using the mails to defraud in a \$2,500,000 horse race swindle. They were found guilty on February 12, 1938, and were sentenced on February 17, 1938, to serve 9 years in a Federal penitentiary and to pay a fine of \$11,000 each. Graham and McKay dangled huge but fictitious race track winnings before their victims and told them the cash was theirs if they put up the necessary "good faith" money. In each case the money was placed and "lost" on the wrong horse on the first bet. The victims were rushed out of Reno after the swindle.

At the trial, a 70-year-old man from Chicago testified he lost \$150,000; an 83-year-old man, former United States Commissioner of Caldwell, Idaho, lost \$23,600; a Flint, Mich., mechanical engineer, testified he was swindled out of \$61,000.

Graham and McKay were the backers of the ring of swindlers. After their release from Federal prison, they again returned to Reno, Nev., and resumed an important place in gambling operations there. They have operated the Bank Club in Reno and have had another establishment at Lake Tahoe as well.

Graham and McKay have maintained contact with a number of important underworld characters. This goes back many years, even during the old Dillinger investigation in 1934, or before 1934. Baby Face Nelson, who was one of the most notorious killers of the Dillinger gang, was a friend of theirs.

In Los Angeles, Jack I. Dragna, alias Jack Rizotto, alias Jack Dania, alias Jack Ignatius Dragna, alias Jack I. Drigna, Los Angeles Police Department No. 98015, is one of the most notorious gangsters on the west coast. He is frequently referred to as the Capone of Los Angeles. He has been associated with John Rosselli, one of the Capone syndicate members who was convicted in Federal Court in New York City in 1943 for extorting a million dollars from the movie industry.

Several years ago, Rosselli and Dragna were associated together in connection with the racing news service. They engaged in terroristic methods. Between May 1948 and February 2, 1950, Jack I. Dragna received \$500 a week from the Illinois Sports News, 431 South Dearborn, Room 1619, Chicago. The checks were received by Dragna in the name of the Universal Sports News, 3927 Hubert Avenue, Los Angeles, Calif. As a result of the public exposé of the connection between Dragna and the Illinois Sports News, Dragna was taken off the payroll of this concern. On June 30, 1950, last Friday, Jack I. Dragna was in Chicago with the avowed intention of getting back on the payroll "or else."

Dragna has connections with some of the most powerful and notorious gangsters from every section of the Nation. He has been arrested with Charley Fischetti, cousin of Al Capone and one of the leading members of the Capone gang. He is a close friend of Benny Binion, a gambling racketeer who has recently been operating in Las Vegas, Nev., and who has been the king of rackets in Dallas. He is close to Allen Smiley, the close associate of Benjamin "Bugsy" Siegel, of the New York Costello mob and operator of the Flamingo Hotel in Las Vegas before he was murdered. Before Siegel's death, Dragna

was allegedly associated with him as west coast representatives for the Capone syndicate wire service. It is known that Dragna has been close to Murray Humphreys and Tony Accardo of the Capone syndicate as well as with John Rosselli on the west coast. It was also reported that in 1947, Murray Humphreys and Jack Guzik, once the business manager for the Capone organization, were in Los Angeles to see Dragna regarding the wire service.

Jack I. Dragna has also been reported active in labor rackets along with John Rosselli. Dragna has been identified with the operations of Mickey Cohen and Joe Sica, both powerful west coast racketeers. In fact, it has been reported that the Savoy Shirt Shop, 8470 Melrose, Los Angeles, operated by Joe and Freddie Sica, may be the new headquarters for the Dragna organization.

From records seized from members of the Dragna family and his principal lieutenant, Giroloma Adamo, alias Mo Mo Adamo, it is established that Dragna is connected with the following and, of course, many more: Tony Accardo, Murray Humphreys, John Rosselli, and Charles Fischetti of the Capone gang; Pete Licovoli, Joe Zirilli, and William (Black Bill) Tocco, leading numbers racketeers of Detroit; Joseph Profaci and Joseph Bonanno of Brooklyn; Carl Cascio, Joe Salardino, and Charles Blanda, big-time gambling racketeers of Colorado; James Lumia (recently killed), and Santo Graffiacanti, racketeers of Tampa, Fla.; Vincent Rao, first cousin of Joie Rao, a notorious gunman and once tied up with the slot-machine racket with the Dutch Schultz mob and with Ciro Terranova in New York; Allen Smiley, confidant of Benjamin (Bugsy) Siegel and big gambling racketeer; Charles "Babe" Baron, former handbook operator in Chicago and a big automobile dealer, and scores of others.

Dragna is about 59 years of age, brown eyes, black hair, 5 feet 7 inches tall, weighs 200 pounds, and is an Italian. He was arrested for an extortion attempt on July 6, 1915. On January 26, 1916, he received a sentence of 3 years on a felony charge. On May 25, 1917, he was arrested in Los Angeles, and on June 15, 1917, he was delivered to New York officers on a murder charge. On July 29, 1930, he was arrested on a suspicion of robbery and released the next day. On July 25, 1934, there was a "wanted" notice posted with the Los Angeles Police Department by the United States Immigration Department. On December 6, 1946, he was arrested on a suspicion of robbery and released on December 9, 1946.

Mickey Cohen, one of the big gambling racketeers on the west coast, has maintained contact with virtually every hoodlum of consequence throughout the Nation. Telephone surveillance and records definitely have established this fact.

Joe Sica, originally a New Jersey hoodlum, received his training from William Moretti, and has become one of the big-time racketeers of the west coast. Joe and his brother, Freddie, operate the Savoy Shirt Shop, 8470 Melrose, Los Angeles, which is reportedly a headquarters for the Jack I. Dragna organization. Joe Sica has also been identified with the operations of Mickey Cohen, gambling racketeer of the Los Angeles area. Joe Sica is said to be a former associate of Joseph D. DiGiovanni, alias Joe Chick, of Brooklyn, who is allegedly a source of supply for James LaSala, who in turn is a close associate of Jack I. Dragna and Giroloma Adamo. It is claimed that Joe Sica has narcotics stored at certain addresses in Los Angeles.

The Sica family own a candy store at 20 Boyden Street, Newark, N. J. Joe Sica is said to have connections with Sam Accardi, a dominant figure in Newark, N. J. Accardi is believed affiliated with William Moretti, Joe Adonis, and Abner Zwillman.

Anthony Milano, alias Tony Milano, purchased a Hollywood, Calif., home for \$50,000 about 5 years ago. He has been connected with Jack I. Dragna. It is claimed that Anthony Milano and Frank Milano are members of the Mayfield Road gang in Cleveland. Anthony Milano is connected with a company in Cleveland at the present time, dealing in Italian foods, and he is also connected with an Italian language newspaper.

John Patrick Borcia, alias John Borcy, closely allied with the Chicago Capone mob, has been operating the Primrose Bar in Los Angeles. This place has been the hang-out for the gangster element. Borcia has also operated the Primrose Path, 1159 North Clark Street, Chicago. Borcia is a close friend of Tony Accardo, top-ranking member of the Capone syndicate and of Nick Circella, alias Nick Dean, who was convicted in the movie extortion case.

John Rosselli of Los Angeles was convicted with Paul Ricca, Louis "Little New York" Campagna, Phil D'Andrea, Charles Gioe, Francis Maritote, alias Frank Diamond, and other Capone gang members, in Federal court, New York City, in 1943, for extorting a million dollars from the movie industry. Nick Circella, alias Nick Dean, was also convicted in this case. For many years Rosselli has been associated with Jack I. Dragna. In recent months Rosselli has been in frequent touch with Charles "Babe" Baron, of Chicago. Rosselli is now reportedly connected with a movie studio in California.

Phil D'Andrea now is on parole from Federal prison after serving time in connection with the movie extortion case. He is now living at Tarzana, Calif. As previously indicated, he was once the body-guard for Al Capone.

Jasper Matranga, 506 North Laurel Avenue, Upland, Calif., operates a bookmaking establishment near the town of Ontario, in southern California. Matranga is affiliated with Jack I. Dragna. Matranga's name and address was contained in the records seized from Dragna in the early part of 1950.

One of the biggest gambling operators in the San Francisco area for many years has been Bones Remmer.

Harry Pelsinger operates the Film Row Club, San Francisco, Calif., where bets were made by the Guarantee Finance Co., a front for huge gambling operations. When Joe Adonis was in San Francisco, it is alleged that the first man he contacted was Harry Pelsinger.

I have previously given information concerning Irving Burnstein and Izzy Burnstein, who also are operating in the Los Angeles area, and who were previously alleged members of the Purple Gang in Detroit.

I think from the information I have given—that is just the highlights—I have definitely established, first that the principal mobs have made contacts throughout the entire Nation which form a Nation-wide network of criminal activities; members of the principal mobs frequently work in close collaboration with one another; the principal mobs themselves engage in activities in several States; money obtained through illegal activities is frequently invested in legitimate

business enterprises, which places racketeers in competition with legitimate business and industry, and that racketeering methods are frequently resorted to in connection with the legitimate businesses; tremendous wealth and political power vested in the racketeering element affects the entire law enforcement set-up and contributes very materially to the crime problem of the entire Nation.

I think that I have exhausted my information.

The CHAIRMAN. Senator Wiley, do you have any questions?

Senator WILEY. What is your suggested remedy for the conditions which you have just stated?

Mr. PETERSON. Of course, as was mentioned here yesterday, when Governor Youngdahl testified, with which I firmly agree, primarily and fundamentally the problem is a local problem. There are certain areas in which the Federal Government can be of great assistance and should be of assistance, but fundamentally the development and growth of an important organized crime group doesn't occur until the local authorities in that particular area permit it to exist. So the first remedy—anything that you may say, I suppose, is in the nature of a truism. I believe it was Channing Pollock who said that **all** truth is a truism, but the public first must understand the tremendous significance and importance of the organized groups, first as to its effect on government. As I have pointed out before, the significance—

The CHAIRMAN. If I may suggest, Mr. Peterson, in answer to Senator Wiley's questions and Senator Hunt's, this is very important for the public and the committee because you are one of the Nation's foremost experts on this whole problem.

Mr. PETERSON. I wouldn't say that.

The CHAIRMAN. I know you have to catch a plane at 5:30, but go into as much detail as you feel you have time because we feel that this is of great importance.

Mr. PETERSON. What I started to say is that in the first place you have to have a proper public attitude. I mean the general tendency of the public is "After all, these are innocuous things. You are always going to have this." That is the common argument of the man in the street. "You are always going to have prostitution; you are always going to have gambling. After all, if people want to use narcotics, that is not too important."

On narcotics they can get more incensed. But, after all, these are the things that furnish the lifeblood for your organized criminal groups. The organized criminal groups can become entrenched only through making alliances with officials in power. When they make those alliances with officials in power, then that means that the underworld has just got to be in a position to dictate law enforcement policies or to control law enforcement agencies.

I only mention one incident here, for example, in one city where they said, "We will make a big political contribution if we can name the chief of police."

You remember the old Wickersham Commission which made its investigation years ago. In Los Angeles, San Francisco, Detroit, and in a number of other cities—that is going back 20 years, but the problem is the same—they found that prior to that time those organized criminal groups then wanted the one office, the chief of police, for example, because they could control law enforcement policy.

When that happens it isn't limited just to these activities that the general public say are innocuous because the man, for example, who is the gambling king or boss in a particular ward in a large city or in a rural area doesn't just confine his activities to protecting the fellow who wants protection for gambling. The other hot individuals—I mean your burglars and safe blowers and other individuals—contact the same man. For example, in the kidnaping cases in the early 1930's, why was it that in so many instances the principal contacts for the Karpis-Barker gang were some of the very big gambling operators in the country? Because they had the connections which would enable them for a big price to offer protection.

So, as I said before, you get the law violators in a position of controlling the law enforcers. Very frequently individuals who are not at heart venal—I mean they are well-intentioned individuals and wouldn't think outwardly of affording any protection to a no-good hoodlum, but there have been instances where those individuals give big political contributions which are available. They will give those political contributions. After all, the underworld is not making a contribution in the sense that the individual is thinking of it. They are making an investment, an investment in future law enforcement policies. We are all prone to rationalize. It is very easy for those individuals to say "We don't want this man as chief of police. We want somebody else as chief of police." Or "We want somebody who isn't to be too tough on this, that, and the other things."

Then they start rationalizing, "After all, these things are kind of innocuous," and you have a big problem. I have seen those things happen.

So the first thing, the public has got to have a real understanding of the true significance of the organized criminal groups.

The attack primarily has got to be made on the local level. The local authorities cannot dodge their individual responsibility for conditions within their own area.

Then there are certain areas of activity in which the Federal Government can be and should be helpful. I am sure you can't correct everything by laws, but I am in favor of the two laws that have been introduced at this session. The prohibition of the interstate transportation of slot machines isn't anything new. You had a law similar to that prior to prohibition. I forget what it was called, not the Wilson package law, but you know the law that I have in mind which prohibited the transportation from one State to a dry State. That was prior to prohibition. It had nothing to do with prohibition. As a precedent you have the interstate lottery laws. What the public doesn't understand sometimes is the fact that those laws were brought about because of a grave necessity. Take our old lottery laws. The President of the United States in 1829, I believe, sent a special message to Congress on the grave necessity for a law then to cope with the old Louisiana lottery which was degrading and corrupting government all over the country. They were having a big problem right here in the District of Columbia. So you have a precedent there for the laws that you have suggested.

Laws themselves aren't going to correct anything. There isn't anything to be used as a panacea that is going to correct.

Senator WILEY. To what extent would you say are the political organizations or units in the State of Illinois infested with racketeering elements?

Mr. PETERSON. Wherever you have a bad ward in the city of Chicago, you have a tie-in between the ward committeeman, for example, the political set-up there, and the racketeering element. It has to be that way. On top of that, in Illinois one of the difficulties the present Governor has had with reference to the enactment of good legislation, one of the difficulties that the crime commission has had in trying to get certain laws to correct certain defects in the criminal laws of the State, has been the fact that they have been fought by the group of what is called by the press in Chicago the West Side bloc. Who are those individuals? It isn't a partisan matter. There are both Republicans and Democrats. James Adduci, for example, happens to be a Republican. He has been arrested with a lot of these people. Robert Petrone in the legislature. Senator Libonati is a Democrat and he has been pictured with Al Capone and with "Machine Gun" Jack McGurn and was picked up after an election raid one day by the police around 1930 and I think Paul Ricca was in there, Ralph Pierce and a number of others. I am not saying that they are members of the syndicate. I am saying that they are friendly with a number of individuals. So you have it going all the way, not only as far as law enforcement officers but lawmakers are concerned. They are affected by this particular influence.

Senator WILEY. You mentioned contributions. To what extent has the Chicago Crime Commission evidence of political contributions?

Mr. PETERSON. You can't get evidence on that. They are not made in that way. There is no record of it.

Senator WILEY. Have you any further evidence to give to show to what extent investments made by gangsters and gamblers have infiltrated into legitimate business?

Mr. PETERSON. Yes, I have a considerable amount of information in our files in Chicago, and I will try to dig up some more for you. Did I give you that list I had the other day on legitimate business, Mr. Halley?

The CHAIRMAN. Let us see if he can find that list.

Mr. PETERSON. This is a very incomplete list. It is one that, as I was going through the files, I jotted down on a card a reference. Then I had the girl type it up afterward.

The CHAIRMAN. Mr. Peterson, could you give us a more complete list, say, by the middle of next week?

Mr. PETERSON. I will try to. I think there are about 80 companies there, Senator.

The CHAIRMAN. Is that confidential?

Mr. PETERSON. Yes, that is definitely confidential because there are a number of legitimate businesses, and our information is that they have interests in there. In other words, I don't want to do any damage or harm to any legitimate business unless it is capable of proof. You have to prove it through records, and we do not have access to the records to prove it.

(Discussion off the record.)

The CHAIRMAN. The committee has received a list of so-called legitimate businesses in which gangsters and racketeers are alleged to have interest or ownership. This, for the time being, will have to be kept

secret because some of it is on allegations and we don't want to do anybody any harm if it is not true. This list, together with other information the committee has, will be studied. We are making a study in that direction. We would appreciate it if you would go over your records, Mr. Peterson, and give us any further information you have concerning these and any others.

MR. PETERSON. I will try to do that. I will have to do that by checking through my files. I don't have it listed as businesses. I will just have to pick it up.

SENATOR WILEY. In that connection I would like to ask whether you have any suggestions for the committee whereby through the light of publicity we can curb this infiltration of organized crime into legitimate business? This list now is not public and probably will not be, but I wonder if you have some suggestion on that. We think that probably gambling is one of the developed instincts of the race and probably everybody may indulge in some game of chance at times, but when it becomes as you said, an influence to control politics, business, and to cause murder and major crimes, then you have a problem which calls for solution. I am asking whether you feel that you have any suggestion.

MR. PETERSON. My suggestion there would be that you do this by any means, and I think it can be done: I have in mind, for example, one industry which, although it is kind of on the border line, is a legitimate business, there is no question about that, but what I had in mind was that on certain industries or big businesses that are controlled, you could prove through your investigations, through records, through subpoenas, that the hoodlum element is in control of those particular businesses, and then show, if you can, to the man on the street that he is paying a higher price.

I am speaking from the standpoint of the consumers because it does affect them, because the legitimate businessman cannot compete with a racketeer or racketeering methods. If you can show the man on the street that he is paying higher prices, that his living costs are increased because of the fact of the hoodlum control of legitimate business, then I think you can do a great service because you have to have the first fundamental thing in the entire approach, to get public support, public opinion. If the public opinion is not interested, if they say, "What difference does it make?" Then it doesn't make any difference what laws you try to pass or anything else, you will fail. I do not mean you are going to fail. I mean we are going to fail.

SENATOR WILEY. Is there any evidence that you have at hand to show to what extent organized crime in Illinois has tentacles, you might say, in Wisconsin?

MR. PETERSON. Wisconsin has been a pretty clean State. The only connections that we have had at all with reference to the Capone gang in Wisconsin is the home that the Capone gang has had up near Eagle River, Wis.

SENATOR WILEY. A summer resort.

MR. PETERSON. A summer resort. I have said this time and time again. I am not saying it for your benefit.

SENATOR WILEY. Why not for my benefit?

MR. PETERSON. What I mean is that I am not saying it because I know you are from Wisconsin. If you could get the same tradition of law enforcement that Milwaukee, for instance, has, if you could get

the same tradition of law enforcement on the part of the people that they have had in Milwaukee and maintain the same standards of police efficiency, this whole problem would disappear. You don't have any problem. I say that having been head of the FBI in Milwaukee for 2 years—years ago, of course. I remember having a conference after they changed the chief of police up there one time, which is very significant, because this is to me the answer to the whole thing. I said, "I don't remember this man who is the new chief of police." I was talking to the old chief, who was a very good friend of mine, Joseph Kluchesky, one of the outstanding police administrators of the country. I said, "What kind of a job will he do?"

He said, "He will do a good job. You know the people of Milwaukee take a great pride in their police department. They insist on good law enforcement up there. And he will do a good job."

That is the answer to the thing. If the people actually want it, want it sincerely instead of lip service, they will get it on the local level.

You have the problem today, the thing I have pointed out, of this network of criminals operating all over the country. Perhaps your study will show you certain legislation that may be helpful to the local authorities. You do have this problem. We get letters from all over the country asking for help, from duly constituted officials. I got a letter from a very fine district attorney in one of the Eastern States not very long ago, and he said, "Do you have any information concerning this particular group?" It was some of the group that I have mentioned in this testimony that I have given.

He said, "The representative of this syndicate was informed by some other people that the district attorney won't tolerate this sort of thing in this area. The head of the syndicate replied 'What the hell do we care about a district attorney? We control States.'"

That, of course, was an exaggeration. Here was a district attorney, honest, conscientious, who wanted to do the right thing and apparently didn't even know who these people were. Very frequently the criminal population today is very mobile, moving from one area to the other, with connections all over the country. Certainly, in many instances, the local authorities do need help. I mean conscientious local authorities that want to do something about it.

Senator WILEY. Is not one of the answers that in any city of any size you should have what you have in Chicago, a crime commission, to start with, made up of citizens who are publicly minded and who feel that because of the set-up, economical and political, they have to make some personal contribution toward trying to straighten up the morals and the conditions in the community. Then they have to go to work.

Mr. PETERSON. I think that the idea certainly has a place. We say that in a democracy vigilance is the price of democracy. In many of your larger cities the people cannot be intimately or accurately informed concerning the law enforcement machinery or the law enforcement set-up except through more or less independent sources such as a crime commission.

Senator WILEY. I would like to ask you again about Chicago, and perhaps it applies to other cities. How many of the ward committeemen or precinct captains or block workers engaged in politics have actual criminal records?

MR. PETERSON. Actual criminal records? I would have to check my records on that. I would question whether there would be very many who have actual criminal records as such. There are quite a number of them who do have connections with some of the racketeering elements. I can't think of anybody right offhand that has an actual criminal record. I can check that.

SENATOR WILEY. The Nation, you know, Mr. Peterson, has been very much interested in what we call the cooperative arrangements made by leading newspapers throughout the country in reporting organized crime, reporting leads that interlock in various cities. This seems to be a splendid contribution toward meeting the problem of interstate crime. I wonder if you have any comments on this cooperative newspaper arrangement.

MR. PETERSON. I think that is an excellent idea. After all, as I said before, the public has to be adequately informed and properly informed. I mean so that the stories in the press report the significance of some of these problems.

I might add also that one of the things that we have recommended on the local police level, which is highly important to my way of thinking, is the creation within the larger departments of intelligence units so they know what the situation is with reference to their own locality and elsewhere. Los Angeles, for example. Their intelligence unit has done a very good job. Al Sutton in Cleveland I am sure is doing a good job. There are many others. I do not want to limit it to that. I am sure that is a very important factor. In some of the departments it is amazing. They do not have intelligence sections as such, and they are not familiar with the organized crime set-up except a haphazard way, and you can't combat an organized offensive, so to speak, with a disorganized or haphazard defense. You cannot do that in any kind of warfare, and it is warfare.

SENATOR WILEY. Have you found anywhere that what you call organized crime has any connection with communism?

MR. PETERSON. No. I don't recall any. I would question that you would find too much of that. You might. We have not run across that.

SENATOR WILEY. In your experience in so-called labor rackets, I think you testified the other day that one of the moves that was made by organized crime was the attempt to take over the treasury of several of the labor unions, and they raped that.

MR. PETERSON. Yes.

SENATOR WILEY. That is apparently a material gain. Have you found any indication by organized crime that they would take over or attempt to take over a group for the purpose of utilizing the power that they would get by controlling groups of men so they could be used politically?

MR. PETERSON. We have not conducted any investigation in that field. Of course, the labor-racket situation in Chicago I think is greatly improved over, say, in the 1920's, and that sort of thing. We still have certain hoodlum elements in some of the labor organizations, but I think the authorities have done a pretty good job in recent years on the labor angle. I don't have any information along that line, but I would like to make this comment, which is not exactly responsive to your question. The intelligent labor leaders will not tolerate the racketeering element to get a firm foothold within

their own organization. Take Walter Reuther. He has fought the racketeering elements. Too frequently——

Senator WILEY. He got shot twice.

Mr. PETERSON. Yes.

The CHAIRMAN. He got shot, and his brother got shot, both of them.

Mr. PETERSON. Take England in the early part of this century. Prime Minister—he wasn't Prime Minister then but he later became Prime Minister—Ramsay MacDonald, fought, for example, against a gambling racket because it meant a poor wage standard, poor living standard from the standpoint of the workingman himself, not from any moralistic standpoint but from the practical standpoint. He also made the comment that a strong labor movement can't exist if the gambling racket flourishes. He did not use exactly those words. In some of our plants—this is a serious thing from the standpoint of the laboring man—where these racketeers have been able to get into industrial plants, some of them take out enormous sums of money. The racketeering element benefits, and the wage earner's take-home pay is much less than it would be if those racketeers weren't permitted to operate.

What I am driving at is that the intelligent labor leaders ought to be just as much interested in fighting that sort of thing as those who are interested in law enforcement, too, from the standpoint of the worker.

Senator WILEY. We are hopeful that they are all intelligent, but we have known lately that there has been some relations to communism. Be that as it may, is it your conclusion that these murders that you have spoken of resulted simply because of the take there is in the rackets, so to speak? In other words, if somebody won't divvy up or somebody who is in control will not share his control of the take, they just kill him off?

Mr. PETERSON. Surely. In other words, the underworld is interested in one thing. They are interested in easy money. The means of obtaining it they are not interested in. What I mean is, if they have to kill somebody to make certain that their territory remains intact or to maintain their supremacy in that area, they are going to kill somebody. That is the basis for most of your gang murders. It is usually a fight over territory, a fight for the easy money in that particular area. One individual wants to be the top man in that place.

Senator WILEY. How extended in your opinion is the racketeer control in politics in these big cities? For instance, we have read of a number of instances, and you have read a number of instances yourself, where they are tied up with murder or tied up with crimes. They get in prison, and out they come. Do you think that is a result of a payoff on the part of political leaders for political support and contributions that have been made?

Mr. PETERSON. Let me answer in this fashion: You have a big organized crime problem. Organized crime cannot exist without the alliance between those in control of rackets and those in political authority. It cannot exist without that.

Senator WILEY. Politics and crime go together, then.

Mr. PETERSON. Surely, organized crime—definitely. How long could wide-open rackets exist in a particular area where the man who

is in political authority says he does not want it to exist? There are exceptions, but generally speaking, in a big city like Chicago, the ward committeeman is the king pin. If he does not want any rackets there, there are no rackets there. If he wants them, he makes alliances with the group that is interested in easy money. You see, unfortunately there is a vicious circle here occasionally in which people from the standpoint of expediency—as I mentioned a while ago, it is not the fact that a man may be necessarily personally venal, but for example the average man on the street who says he is interested in principle, how deeply is he interested in this principle of government to the extent that he will divvy up out of his own pocket to support this principle, to go out and work for the individual that he thinks is upholding that principle. I mean we are all—and I put myself in that same category—we are all rather weak along that line. But you have this one group here, those that are interested in easy money. They are willing in return for protection to pay large sums of money and to furnish large numbers of workers in political campaigns in order to make certain that the law-enforcement policy is in accord with what they desire.

Senator WILEY. Take as an illustration these recent murders in Kansas City. With the FBI on the job and with apparent police cooperation, why haven't they been solved?

Mr. PETERSON. I do not know why they have not been solved. Of course a lot of those killings are paid killers, and they are not so easy to solve. The main thing is that those conditions that give rise to the murders in the first place should not be allowed to exist. You are speaking of Kansas City. If Charlie Binaggio had not had tremendous political power as well as with reference to the rackets themselves, there would have been no occasion; there would not have been other people vying with him to bump him off, or kill him.

Senator WILEY. Is the answer to that the same answer you had when the Federal Government got interested in the question of elections when ballots were stolen, and that has not been solved?

Mr. PETERSON. That is possible. I do not pretend to know why the cases were not solved. I know in Kansas City they had a Federal grand jury investigation on the ballot thefts. I do not know why they have not been solved. Unfortunately the pattern of the thing that you mention in Kansas City has been all too prevalent, all too commonplace in our big city municipal government.

We speak of the Capone gang. As I said in my testimony here, that began in a sense with the killing of Big Jim Colosimo. Actually the Capone gang did not begin with Big Jim Colosimo. You could go back further than that perhaps, but the Capone gang really began when Mike Donald, the king of the underworld and the big-shot gambler in Chicago following the great fire in 1871, organized the commercialized prostitution elements, the gambling elements, the liquor elements, and that sort of thing into a compact political organization which made it virtually invulnerable for that period of 20 years. Then you follow with things after that until you lead up to the Capone gang. Sure the Capone gang did not start back there, but the pattern started there. Go to New York—you speak of the Costello gang, Rothstein and that sort of thing. Go back to Fernando Wood,

in 1855, and perhaps earlier, in Tammany Hall, you had the same thing. He organized through John Morrissey and Isaiah Reinders.

What I am driving at is that this developed over a period of almost a century, and not just in those two cities.

James Bryce when he wrote his monumental *American Commonwealth*, in the late 1800's, pointed out that the one significant failure in the United States was municipal government. He pointed to ruling classes in the various cities. That is our principal crime problem.

The reason we have that crime problem—I say the reason but there is no single reason. One of the greatest weaknesses of the human mind is the attempt at oversimplification, but one of the reasons is the fact that the general public does not see the significance; and on top of that, the general public frequently wants law enforcement for the other fellow. He wants the laws enforced for example on traffic. He is disgusted with this terrific death toll and that sort of thing. He wants the traffic laws enforced—not for himself, though—for the other party. So the public cannot escape its share of responsibility on your organized crime problem.

Senator WILEY. In Europe do they have this same gambling and crime element?

Mr. PETERSON. I guess after the last war you have had a lot in continental Europe. In England there has not been the same problem that we have had here, although I think historically, if you go back a couple of centuries or so, you will find the situation is at least comparable.

Senator WILEY. What I am getting at is that has been suggested that one possible remedy is what is done in some States, for instance, in Europe and certain places, that the State itself conducts the place and gets the take.

Mr. PETERSON. That is not going to correct anything. The commercialized gambling racket as such is an inherently illegitimate business. You cannot make it legitimate by law. We do not have the same situation. Of course in England they have most of the same laws that we have. Most of the laws that we have against gambling are true over there. They have the football pools, which have become big business, as a matter of fact, over there. You have a different situation. You cannot compare them. The laws are about the same in England and this country, but you have a different situation there with reference to your political set-up. Take for example our efforts to control liquor. Things that have worked over there have not worked here because of the difference in the political set-up. I could go into detail on that, but there is no purpose in it. You cannot compare the two. The gambling racket as such is an illegitimate business and you cannot make it legitimate by law any more than perhaps you can stamp it out by law. The great difficulty is that when you legalize it, history shows in every country that you increase mass gambling and that the poor man on the street is the man who pays the bills. That is historically correct. We have had experiments in this country. We have had the old Louisiana lottery and other lotteries in this country for almost a hundred years. They got into the hands of the racketeers. The poor man was paying the bill. If you read some of the histories of the lotteries, some of the committees in Pennsylvania going to 1700, and in Rhode Island, you will find that was no solution

to the problem at all. It aggravated the problem. That is what gave rise to some of our laws, as a matter of fact.

Senator WILEY. Primarily it is a question of curing the instinct in the human mind so that it will not indulge in gambling. You cannot do that by law.

Mr. PETERSON. No.

Senator WILEY. The next alternative is to give publicity so that the people themselves will become aroused to the evils resulting therefrom.

Mr. PETERSON. From organized commercialized gambling. The trouble of it is, usually the approach to the whole problem is along moralistic lines. It is either moral to gamble or it is immoral to gamble. So the argument wages along that line. That has nothing to do with it. It is primarily an economic and a social and political problem, but primarily economic and social. As far as individual gambling is concerned, our laws generally do not prohibit it. If you and I wanted to play cards and gamble in our own home, most of the State statutes do not prohibit that. There is plenty of room for people to gamble if they want to gamble, but to permit individuals to engage in a business which exists solely to exploit a human weakness, the concept of all of our social legislation is against that. We do not permit any kind—I say we don't permit. Our laws constantly are being devised to prohibit legitimate business, for example, from exploiting the poor man. For example, we would not say it is all right if a person wants to go into business and sell a bottle of water with a label on there and saying that this has a good chance of curing cancer. I could become a millionaire selling something like that, probably, but we do not permit that because that is exploiting a human weakness. That is the reason our State laws that prohibit gambling are consistent with other social legislation that we have on the books.

The CHAIRMAN. Senator Hunt?

Senator HUNT. Mr. Chairman, I have just a couple of questions.

You handed to the chairman a while ago a list of various legitimate businesses which you had some reason to believe these crime syndicates were muscling in.

Mr. PETERSON. Yes.

Senator HUNT. There has been mentioned here several times the fine support that these programs against crime have all over the United States from the press. In that list do you know of situations where these gangsters are attempting to get into the press and buy newspaper stock and ownership?

Mr. PETERSON. Have I heard of that happening? I have heard of that, yes. I was told, for example, by one reporter, one time that he had been offered the editorship of a paper. He had been hitting pretty hard against one particular group, and I was told he had been offered by an individual pretty closely identified with the organized criminal element that he would make him the editor of this paper. The purpose there was strictly a pay-off. So in that instance this man must have owned a newspaper. I don't know whether that is true or not, but I was told that by a reporter, a highly reputable reporter.

Senator HUNT. Your crime commission in Chicago generally speaking is considered to have done very fine work. I wonder if you could tell us specifically of situations in various parts of Chicago that you have cleaned up, where you have caused the resignation or defeat

at election of any officials, any police officers you have caused to resign. Could you give us a general statement on it?

Mr. PETERSON. I might mention that our general approach has been this: We have first through our own investigative staff, which includes men with former FBI experience or men with Army and Navy intelligence, gathered the facts. Our first approach is usually to go to the officials responsible for those particular conditions. Generally speaking, your officials when it is brought to their attention, sometimes it is just oversight. Sometimes they may know it already. But when they know we have these facts and we bring it to their attention, very frequently the condition is improved. If we cannot get any action from that standpoint, then our next and final approach is to go to the public with the facts. Generally speaking, when the public is apprised of the facts, there is a tremendous amount of activity on the part of the officials, at least temporarily, to clean up certain conditions.

Our activities are along several different lines. For example, in an area where the incidence of crime may be high, we may conduct an undercover investigation in that area for a long period of time to determine the true conditions there, that is, with reference not just to crime conditions but also activities of the officials in that area. That is one approach. Another approach is that we get specific complaints with reference to cases where they believe there is a miscarriage of justice, or we get information concerning conditions in courts.

For example, in one specific case we got information out on the South Side that there was somewhat a racket in this court, that there were poor people in that area who would come in the court and be fined \$100 or \$200, and the record would show the fine was suspended. In other words, they were not supposed to have paid any money, but they actually had paid the money, and somebody was pocketing the money. We conducted a very detailed investigation of that situation over a period of a couple of months and got the facts and the figures. We showed that in 1 month there were 40 cases in which the fines were suspended, and we located the men who were supposed not to have paid any fines, but actually had. We got statements from those individuals. We went then to the chief justice of the court. We then went to the bar association. In that kind of case while you always have difficulty of witnesses standing up, the chief justice took immediate action, revamped the procedure in that particular court, put one of his strongest judges out in that court, and completely eliminated the racket.

In another case where we had information, for example, of bribery in a particular office, we went to the elected official. We told him what we had found. He was very cooperative. He fired, I think, three members of that office, and he placed two others in other work where they would no longer be in contact with the temptation.

It is a constant proposition. You never clean up a city permanently. You have to keep at it all the time. I think I am justified in saying that we have accomplished a considerable amount of good. We certainly have not accomplished anything like what we would like to accomplish.

Senator HUNT. I have one more question, if you can answer it just "yes" or "no," please. Do you think that conditions throughout the

United States today are worse, better or as good as they were in the twenties?

Mr. PETERSON. I would say one of our worst eras was during the twenties.

Senator HUNT. In other words, you think there has been some improvement.

Mr. PETERSON. I think there has been some improvement. However, I do not think the organized criminal element is any weaker today than it was during that period. They have changed their techniques. There are not as many gang killings. I still think that one of the No. 1 problems of the Nation is the organized crime problem and its effect on government. That is my personal opinion.

Senator HUNT. That is all the questions I have, Mr. Chairman.

The CHAIRMAN. Mr. Peterson, various estimates of the take from gambling and illegal businesses have been made, and most of them are attributed back to you. I know this is a very indefinite subject and it is impossible to give an exact figure, but what is your best estimate of the size of the so-called gambling take?

Mr. PETERSON. The gambling take throughout the entire Nation?

The CHAIRMAN. Yes.

Mr. PETERSON. Any figures that I could give you on that would be strictly an estimate, strictly guesswork.

The CHAIRMAN. I appreciate that.

Mr. PETERSON. The figure that probably would come as close as any would be in the neighborhood of around \$15,000,000,000. That is a figure that is very frequently used. P. Hal Sims, a number of years ago, about 3 or 4 years ago, made the statement that there was at that time around \$28,000,000,000 that was not accounted for in safety deposits or bank deposits, securities, and that sort of thing, and he estimated that the greater portion of that probably went into something similar to the gambling rackets or allied rackets. As I said, I have no way of making any kind of estimate on that.

The CHAIRMAN. Anyway, this \$15,000,000,000 is about \$2,000,000,000 more than the appropriation for our Military Establishment during the last year, is it not? It is about equal to our own appropriation this year.

Mr. Peterson, you have done a great service to the public and to this committee in the tremendous amount of effort you have put forward in compiling this record and story of what is happening in various parts of the United States.

As I get the picture, there were these gangs back in the prohibition days, and the source of money at that time was bootlegging and rum running and activities of that sort. Then after that time they moved considerably into gambling activities, narcotics, which of course has gone on, and some amount of prostitution, but the large source of money at the present time is gambling activities.

Mr. PETERSON. I think that is correct. However, it would be a mistake, I think, to assume that after prohibition all of these people then went into the gambling racket. The same gangs were in the big gambling money at that particular time. Take for example in Chicago during the height of the Capone syndicate, it is estimated—it has to be an estimate—that their take from gambling during that same period, at the height of the prohibition era, was around \$25,000,000, something like that. When they took over Cicero and Chicago, you

had wider-open gambling during that period than you have in Chicago now; just as wide, at any rate. In fact, in recent years in Chicago I think they have done a pretty good job in eliminating the wide-open gambling. We do not have the room play that we used to have. That is the big money, where they can go in and listen to the loudspeaker and have the roulette wheels and everything else in conjunction with it. In recent years under the present administration of Mayor Kennelly I think they have done a pretty good job in eliminating the wide-open sort of thing. There are plenty of places that you can make a bet, but—

The CHAIRMAN. Is it not true, Mr. Peterson, that with technological improvements in transportation, radio, telephone, airplane, wire service, and what not, it makes it more of an interlocking and interwoven national problem than we ever had before in the Nation?

Mr. PETERSON. I don't think there is any question about that. I think that is definitely true.

The CHAIRMAN. As I get it, the picture you paint is that there are a good many rather distinct gangs now operating these various illegitimate places, but there is a common acquaintance and understanding among the leaders of the various gangs as to where they are going to operate and what they are going to do.

Mr. PETERSON. That is true.

The CHAIRMAN. They have an allocation of territory.

Mr. PETERSON. It forms almost a Nation-wide network, in other words. The way it has developed, an important problem becomes deeply entrenched locally. It starts to spread out. It makes alliances with other gangs in other parts of the country. The first thing you know some of the gangs begin operating almost on a Nation-wide basis. The facts and figures establish that. You have gangs that operate from the east coast to the west coast. That is positive.

The CHAIRMAN. Another very definite problem is the fact that these people make tremendous amounts of money and put that money into legitimate businesses. You have given us a list of them and we will enlarge upon that. That enables them through these apparently legitimate businesses to exercise influence in that way, does it not?

Mr. PETERSON. That is right.

The CHAIRMAN. In other words, if a person in some high-sounding business, apparently a legitimate business, asks that something be done, the politician might not know that the inspiration of it comes from some gang ownership that he does not know about.

Mr. PETERSON. That is right. This happens also: For example, from all the information we can gather on legitimate businesses in which they have made an infiltration, there are hundreds of places that you never would dream of, perhaps. For example, a man that I have had contact with prior to this time in a legitimate business in Chicago, came in to my office one day and said, "I have been offered a very attractive position." He is a very high grade man. He said that this job would mean to him around \$25,000 a year. "I am to head this corporation that has been formed. It is right in my field and it is such an attractive offer that I can't afford to turn it down. The only thing that disturbs me is that somebody told me that the person who had contacted him might have some undesirable connections."

He wanted to know if I knew anything about him. The fellow who had contacted him was part and parcel of the Capone syndicate.

In fact, I mentioned his name during the course of my testimony. We didn't have any intimation that he was going into that particular field. I would not have known it then except that this man came to me for advice. When he found out who it was he said, "I don't want any part of it," because his reputation meant more to him than getting mixed up in something like that.

There are a lot of people who would have accepted that kind of job.

The CHAIRMAN. I take it that there is no particular kind of legitimate business in which they engage, and they are in all kinds of businesses—hotels, beverages companies, cab companies, garages.

Mr. PETERSON. That is right, they are in everything. However, of course they are always going to concentrate in those activities which are lucrative. That is the field that attracts the criminal element—easy money, in other words, where they feel that they have made a lot of money, they may want to invest in a hotel or some other legitimate business and live off their investments. In fact, I mentioned almost every kind of business, I believe, during the course of my testimony.

The CHAIRMAN. Mr. Peterson, you have had a great deal to say, naturally, about Chicago, as you have about other areas. You have talked about some of the officials, both Democratic and Republican. What sort of cooperation have you been getting out of the Governor of Illinois?

Mr. PETERSON. Very excellent. Governor Stevenson, I think, has been trying to do a very, very good job. Our relations with his office have been very, very fine. In fact, Governor Stevenson at the last session of the legislature, which was perhaps against his political interest, backed the bills that we were trying to get through the legislature. He worked for them.

The CHAIRMAN. But you did not get your bills through the legislature, did you?

Mr. PETERSON. No, because of this West Side block which was the spearhead of the attack against them. They also sabotaged a lot of his other legislation. But Stevenson, I think, has been trying to do a very conscientious and sincere job in the State of Illinois.

The CHAIRMAN. Of course we are going into the matters in Chicago in more detail later on, but is one of the matters that you have trouble with that you have grand juries that stay in session only 30 days so they do not have time to complete a case?

Mr. PETERSON. That is right; particularly on an organized crime case or one involving official corruption. The grand jury may get the case during the middle of its session, and then adjourn in 15 days. Of course the whole term is 30 days. It is mandatory upon it then to go out of business and a new grand jury is appointed. Our bill was designed so that the State's attorney or the judge or the grand jury could itself of its own motion prolong the session of the grand jury up to but not exceeding 3 months.

The CHAIRMAN. Has Mayor Kennelly been making some efforts to try to clean up these problems in Chicago?

Mr. PETERSON. Yes, Mayor Kennelly is a very high grade and sincere man of high integrity. There is no question about that. We do not always see eye to eye in connection with police problems.

The CHAIRMAN. You sometimes differ as to methods, but he does make an honest effort?

MR. PETERSON. That is right. Nobody could question his honesty, sincerity, and integrity.

THE CHAIRMAN. Mr. Peterson, you discussed to some extent the advisability of a law against interstate transportation of one-arm bandits, slot machines. Is it not true that actually the communications over the wires or the communications systems plus the mails furnish the backbone for a great many of the gambling operations that we have?

MR. PETERSON. There is no question about it. In other words, to me it is an anomalous situation whereby a centralized service can distribute a service, so to speak, furnish service to illegal operations. In other words, I think that bill is definitely sound, the one that prohibits the interstate transportation of racing news to States where it is illegal.

THE CHAIRMAN. Of course you would have the difficulty of giving the people the news they want to have and at the same time trying to prevent that news from being used for illegal gambling purposes?

MR. PETERSON. That is right. As far as I can see, most of the information that is given as a service is not what the average person is interested in in the news. He doesn't have to have it within a matter of seconds after the race is run. He doesn't have to have the morning line-up and all of the information that you have to have to operate a handbook operation or a gambling operation.

THE CHAIRMAN. You mean the changes in jockeys, how weather conditions are, how wet the track is, and things of that sort.

MR. PETERSON. Yes. He does not have to have it up to the minute, in a matter of seconds, and all that sort of thing, which you have to have in a gambling operation.

You were speaking of slot machines.

THE CHAIRMAN. Would you say that the greatest gambling racket today is in connection with horse racing and dog racing?

MR. PETERSON. One of the biggest; yes.

THE CHAIRMAN. So you think a bill could be drafted so as to give the public the reasonable information if they wanted it.

MR. PETERSON. That is right.

THE CHAIRMAN. And at the same time do away with most of the gambling operations by virtue of the limitation of communications.

MR. PETERSON. I see no reason why a bill could not be drafted which would not infringe upon the liberty of the press. For example, under the old lottery laws it has been illegal to advertise through the mail on lottery drawings and that sort of thing. Nobody has suffered as far as the freedom of the press is concerned by such a law.

Getting back to the slot machines, just as a matter of interest, of course, virtually all the slot machines are manufactured in Chicago. It has been estimated that about 75 percent of the slot machines have been manufactured by—it used to be the Mills Novelty Co., but it is now known as the Belomatic Corp. Approximately 10 to 15 percent of the balance are manufactured by the O. D. Jennings Co., and then the balance are manufactured by six or seven other companies. I think virtually every slot machine in the country is manufactured in Chicago. We have certain State legislation on our books which it is claimed is not applicable to the manufacture of the machines. I think that bill that was introduced is a good bill.

The CHAIRMAN. Mr. Peterson, I believe that is all at this time and again on behalf of the committee we want to thank you and the American Municipal Association for the very splendid statement which you have given us and for the work you have done in preparing it. We want also to ask you for your future cooperation, which will be very, very valuable.

Mr. PETERSON. I want to thank the committee and its counsel for the very fine and courteous treatment that you have given me here, and I want to assure you that in any manner that you feel we can be of assistance to you we are only too glad to do so.

(Whereupon, at 4:45 p. m., the committee adjourned subject to the call of the chair.)

INVESTIGATION OF ORGANIZED CRIME IN INTERSTATE COMMERCE

WEDNESDAY, AUGUST 16, 1950

UNITED STATES SENATE,
SPECIAL COMMITTEE TO INVESTIGATE ORGANIZED CRIME
IN INTERSTATE COMMERCE,
Washington, D. C.

The committee met, pursuant to call of the chairman, at 10:15 a. m., in room 224, Senate Office Building, Senator Lester C. Hunt presiding.

Present: Senators Hunt and O'Connor.

Also present: Rudolph Halley, chief counsel; Harold G. Robinson, associate counsel; and Alfred Klein, assistant counsel.

Senator HUNT. The committee will come to order.

Mr. Olney, would you please be sworn. The testimony you are about to give is the truth, the whole truth, and nothing but the truth, so help you God?

Mr. OLNEY. I do so swear.

TESTIMONY OF WARREN OLNEY, ATTORNEY, BERKELEY, CALIF.

Senator HUNT. I might say to you, Mr. Olney, that the committee has been working in various parts of the United States, in Florida, some in New York, the Central States and Kansas City, and St. Louis. We have also been into some other parts of the United States and will continue to get around over the United States where we think our work is needed. However, due to the Korean situation and to some extent due to the fact that this is an election year, the committee is finding it difficult to divide itself up sufficiently to find time and personnel to get to all the places in the United States. For that reason we have put you to some inconvenience asking you to come in to see us instead of our going out to see you. I thought that a word of explanation for the reason we have asked you to come to Washington should probably be a part of the record.

Mr. Olney, if you will please, give your full name, together with your present position, and I think at the same time it would be well if you would enunciate to some extent the position you have held with reference to the crime investigating commission in California.

Mr. OLNEY. Thank you, Senator.

My name is Warren Olney, and my residence is in Berkeley, Calif. I am an attorney. At present I hold no official position and am engaged in private practice, as I have been for some years. I was counsel

for the special crime study commission on organized crime for the period November 1947 to the 30th of June 1950, when that commission terminated its work. Prior to that, except for the war years, for some 3 years prior to the formation of that committee, I had been in the military service and before that in the attorney general's office where I also came into contact with criminal matters.

Senator HUNT. Thank you.

Mr. Halley, will you take over now, please?

Mr. OLNEY. Senator, in view of your statement to me, I would like also to make it part of the record that I am here purely as an individual. I represent no one and am not associated with any official organization of any kind at the present time. While I am very glad to come and give any testimony that may be of assistance or use, I am not here in any representative capacity, either the Commission or the Department of Corrections under which it functions or anyone other than myself in responding to the request that I come.

Senator HUNT. Thank you.

Mr. HALLEY. In line with that, Mr. Olney, the committee is interested in getting information from the people who have the information, although we understand that naturally yours is second-hand information and that you didn't participate in any of the matters which we are investigating. This committee through its chief investigator, Mr. Robinson, who, of course, was chief investigator with your commission, is very well acquainted with your work, and we have been long desirous of hearing from you about conditions in California.

Mr. Olney, you mentioned first that you had served in the office of the attorney general of the State of California. Is that correct?

Mr. OLNEY. I did at one time.

Mr. HALLEY. That was back in about 1940 or 1941?

Mr. OLNEY. That was from 1939 to 1942.

Mr. HALLEY. During that time did you make certain investigations into gambling?

Mr. OLNEY. Yes, we did.

Mr. HALLEY. Those investigations had primarily to do with the gambling ships which were being organized off the coast of the State of California, did they not?

Mr. OLNEY. Well, no. When I first went into that office in 1939 there were four gambling ships off the coast of California, and we had quite an active time with them, but that took only about 4 or 5 months, and then we gave a great deal of attention, more than we had to the gambling ships, to the bookmaking racket and the wire service.

Mr. HALLEY. It was the gambling ships, though, that first called to your attention a situation which required study and investigation?

Mr. OLNEY. What was that again?

Mr. HALLEY. It was first the gambling ships that created the need for the investigation?

Mr. OLNEY. No, the ships were the most conspicuous and crying thing and problem that we had.

Mr. HALLEY. What was the situation with reference to those gambling ships? Who was operating them and how?

Mr. OLNEY. At that time in 1939 there were four of them. There were two in Santa Monica Bay. One was the *Rex*, that was operated by Tony Conero on behalf of a syndicate. There must have been 10

or 12 people in that syndicate who had put up the money for it and were supposed to have interests in it. They were all old time, professional gamblers and many of them were from out of State.

Then in Santa Monica Bay there was a ship called the *Texas* which was operated by "Russian Louis" Straus, who still is a gambling figure in California and in Nevada at the present time. That also was backed by a syndicate. A man named Orloff, who had an interest in that. I don't remember the others offhand.

In San Pedro Bay there was a ship called the *Tango*, with which the Blazer brothers were identified, and another group. Conero at one time had been in that syndicate also.

Then there was a fourth one there, the *Mount Baker*, which was a syndicate operation. My recollection is that the most prominent people connected with that came from the State of Washington.

All four of them were going. There were moored at locations that were supposed to be and were in fact more than 3 miles from the nearest land. The assumption was that that place was outside the boundaries of the State and outside the boundaries of the United States. They operated gambling games of every kind and description. Three of them had restaurants aboard and were elaborately fitted up. Three of them had race books on there. Two of them operated by unlicensed shortwave radio, and the third, Conero's ship, had a cable which he ran along the floor of Santa Monica Bay more than 3 miles out to the ship. He had cut in to the regular wire service and was getting it direct.

Mr. HALLEY. These were rather elaborate installations, then?

Mr. OLNEY. Very.

Mr. HALLEY. Did Dragna have an association with any of them?

Mr. OLNEY. Not at that time as far as I know. He did earlier. There had been gambling ships off the coast for 10 or 15 years, and there was one in 1930 or 1931. The *Monfalcone*, I believe, was the name of it, in which Dragna claimed to have a major interest.

Mr. HALLEY. Is that the one in which Charles Fischetti was found to be at least in some way connected?

Mr. OLNEY. Yes; that is right. The only connection that would substantiate it was that in 1930 Dragna was arrested about 2 o'clock in the morning by the Los Angeles Police Department with some three other men in the car.

Mr. HALLEY. They were coming off the ship?

Mr. OLNEY. They didn't know. The officers walked up to them and they got a sawed-off shotgun in their face held by Dragna. Nobody was shot. They took them in to the station. Dragna identified himself and said they were coming from the ship on the way home, that they had brought in a quantity of money.

These ships made so much money out there, so much hard cash, that bringing the money in became a problem. Conero, for example, used to deposit all of his money with a small bank in Santa Monica, and after some months of experience with them, the bank wrote them a letter and told them that they would close out his account unless they had a truck to handle the money. So he bought a truck. That was the sort of thing that was going on on the ships. These men claimed they had been coming in with the money. They included Dragna, a man who gave his name as Russo, who was identified by

fingerprints as Charles Fischetti, and John Roselli, who was subsequently convicted in New York in that moving-picture shake-down. There was a third, Canzoneri was his name. I don't know who he is.

Mr. HALLEY. From the gambling ship investigation and incidentally you did succeed in shutting the ships down, did you not?

Mr. OLNEY. Yes; we did.

Mr. HALLEY. From there you went into an investigation of bookmaking generally, is that right?

Mr. OLNEY. That is correct.

Mr. HALLEY. Would you describe just briefly the nature and results of your investigation in 1941 of bookmaking?

Mr. OLNEY. The thing that led up to our interest in bookmaking were evidences that were rather new to us, that we didn't understand and where we could get no explanation from other sources of a number of instances that happened in different parts of the State that involved corruption in the Government, that obviously tied back into the bookmaking racket. This is all ancient history now, so I won't use names on it, but one of those occurrences was in a rather large city where the chief of police had been offered money to permit a sizable book to operate and refused it. They then tried to bribe certain members of the city council to get rid of the chief unsuccessfully. When that didn't work election came along and councilmen were put in for the express purpose of getting rid of the chief and putting in a new chief, when a book opened up and operated for a long time. And as so many times, they got awfully greedy, and an exposure followed and arrests were made and a good many of those officials went to prison.

The thing that was startling about it was that it was for a mere handbook. It was startling to us at that time that it would be possible or feasible or economically worth while to go to the time and trouble of taking hold of a whole city government in that fashion just to have the opportunity to run a handbook.

We had another example of it right in San Francisco in 1937 when they had what was referred to as the Atterton investigation there, which involved corruption in the police department. There was a long and extensive inquiry. In the course of it it was brought out in the public, made public, that the main figure in the difficulty was a bail bond broker there, and that he had a relationship with people in the wire service which was such that the police department was functioning as a sort of help to the wire service and to the bookmakers. There were a certain number of bookmakers in San Francisco who were buying the service from the Nationwide News Service, as it was called at that time. It was a corporation. Every week, according to the evidence that was developed, envelopes were picked up that were apparently payments for this stuff.

Then it developed that there were phony raids being staged systematically. The wire service people would call up in advance and tell them how many men would be at one of these locations ready for arrest and who their names were, and the bail bonds would all be prepared before the raid was even made.

Then it was found, it came out in the testimony, that it went further than just bookmaking, that these same people would make "fixes" through their same contracts for anything that came along, prostitution, robbery, anything that could be handled. Not all robbery cases can be taken care of in that way.

It was examples of that sort, and those are only two among many, that indicated to anybody who was taking a look at the State as a whole that there was something serious about this bookmaking racket, something new which we had never encountered before. This thing crept up on law enforcement generally in California in the thirties without a realization of what it was.

Then we had to find out as best we could what the bookmaking racket was, why it had this development. We had had betting at the races, of course, in our State ever since we had had a State, ever since there had been racing, but not accompanied by problems of this character. It had been a petty nuisance in the largest part.

We found it very difficult to get an understanding of what the bookmaking racket was, what it was that made it go, why there was so much money in it and where the money went and who the people were behind it. Not even the bookmakers seemed to have any clear idea. When they were arrested, they knew what it took to make book, but actually most of the little ones who would get arrested don't have much of an understanding about the business itself. They merely know that they get certain information on the horses, they handle the bets, they lay stuff off, and things of that kind. The police officers who would arrest the bookmakers had no great understanding about the essentials of the business.

We made a study of it which involved in the largest part going up to Nevada. We sent our chief investigator up there, and then I went up myself and spent 3 days up there where they are licensed, watching those operations to see how they worked. We kept hearing that wire service was important, but it was difficult for us to see why. We couldn't see why a man couldn't make book by what you could get on the radio or in the newspapers.

After spending a lot of time up there and watching the thing, seeing how it went and what the service was used for, we saw the need for rapid play to make money. The big money in it comes from the \$2 bets in the horse parlors, and people won't make a \$2 bet unless they know how they came out on the previous race, and you have to have fast results and fast information to keep a rapid turn-over in a place like that, to say nothing of a number of other reasons.

It was studies of that sort that convinced us that the wire service was an essential to that racket.

Then of course it became very apparent that the largest part of the money in the racket was being funneled off into the wire service. No bookmaker who does not have wire service can hope to compete with one who does any more than a stockbroker who hasn't got ticker service could hope to compete with one who has it. The result is that the bookmakers who actually handle the bets in these places were for the largest part little better than clerks or hired help. The wire service could charge them and did anything they felt like. There were no standard rates. It just depended on how profitable they thought the man's business was. The biggest amount of money was going there. That tied back into these things that we had been observing before, of interference with Government through money. A large part of that seemed to come from people who had been connected with that wire service.

Those things convinced us that probably the most vulnerable point of attack on the racket as a whole was through the wire service. Of

course, you can eliminate bookmaking from the community by going around and arresting every bookmaker and keeping the places continuously closed, and that will eliminate them. There is no doubt about that, except for telephone bookmakers. That begs the question. The big difficulty with it has been to put officers in a position of independence where they can do that. With these tremendous funds at their disposal, it has been possible for the bookmaking racket, the people in it, to interfere in one way or another with governmental agencies so that for practical purposes the hands of local policemen are badly tied.

The first attack that we made on the bookmaking racket through the wire service was in the courts, and it was just about the time that the Federal Government was proceeding with its inquiries with reference to Moses Annenberg. They had some grand jury hearings in process in Chicago. There was an antitrust grand jury, and then there was an income-tax grand jury, and eventually one that involved violation of the Federal lottery laws, all of which involved wire service operations. Up to that time the legality of this specialized news service for bookmakers had never been directly challenged by anybody, but in those Federal cases a very, very complete picture of evidence, of how the system worked, how the information was gathered from the race tracks, the manner in which it was centered in Chicago for distribution all over the United States, and the wires and the distributors locally in our State as well as other parts of the State were all brought out.

The Federal authorities were very, very cooperative with us, and what information we got, what evidence we got, of the picture throughout the rest of the country came from the Treasury Department and the Justice Department. It fitted in with our picture.

We tried to get rid of the wire service by getting rid of the communications network. We filed an injunction suit along in 1940 or 1941 in which we listed about 100 or so defendants, the first dozen, at least, of which were from out of State. They were the heads of the former Nationwide News Service, which had by that time been changed into the Continental Press. Then we also, of course, listed as defendants the distributors of the news service in California and as many of their customers as we could. We could never serve process in our own State on the people who were at the head of that racket because our process doesn't extend beyond our own borders and they didn't come inside.

We went ahead with it and we got a preliminary injunction. The theory of it was that public gambling houses are public nuisances, that they were at common law and were under our statutes, and that anyone who contributes to a nuisance can be enjoined from contributing to it. That was the theory on which we proceeded.

We got a preliminary injunction granted, and while the case was awaiting trial the injunction was being violated right and left, so we proceeded with contempt proceedings and brought in a good many of these people for contempt and convicted them, and then they applied for a writ of habeas corpus to the Supreme Court and were discharged. That decision simply wrecked the case right at its foundations. The Supreme Court held that our original complaint had failed to state a cause of action, that while it was true that a

public nuisance was a public nuisance under even our statutes, though the remedy of injunction was not available to the State of that type of nuisance. The only remedy for an established public nuisance was a criminal prosecution.

It took it out, but there had been a period there when the injunction was in effect of about a year or a year and a half. We had not had any effective wire service in our State, and the effect of it was very, very obvious, very noticeable in the number of horse parlors and the decrease in the amount of bookmaking. We felt that we had at least learned that the wire service was the key to the bookmaking racket.

It came along and I went into the Marine Corps. Besides there was little interest in a matter of this sort during the war. The Special Crime Study Commission was appointed in 1947 and again having trouble with the bookmaking racket. There were symptoms and indications of the same type of interference with the regular processes of government that we had encountered before.

Mr. HALLEY. In addition to that, just prior to the formation of your commission had there been a series of typical gang murders?

Mr. OLNEY. Yes, there had. There was a series of them. They were thought by the authorities who investigated the murders that they had their origins in struggles over the profits of the wire service and the bookmaking racket.

Mr. HALLEY. They included Bugsy Siegel?

Mr. OLNEY. That is one.

Mr. HALLEY. Then there was a man called Meatball Gamson.

Mr. OLNEY. That is another, yes.

Mr. HALLEY. And Paul Gibbons.

Mr. OLNEY. Yes, he was one. "Big Greenie" Schachter was one. But all of those murders are unsolved. Certainly no one has been convicted of them. The complete story has never been made public. But the judgment of the officers who were trying to solve those murders was that they were gang shootings that had their origins in the struggle for the profits of the wire service. So the condition was becoming more and more acute.

Mr. HALLEY. There were certain events that had transpired just prior to the Siegel murder, for instance, that gave reason for having that belief; is that correct?

Mr. OLNEY. There were. I see you have a copy of our report there.

Mr. HALLEY. Yes.

Mr. OLNEY. I think there is some mention of that there.

Mr. HALLEY. I think you mention this in your report, and I will quote from your third progress report. On page 24 you say:

It is known that two visitors from Chicago suddenly appeared in California, conferred with Dragna and possibly Cohen, and that Dragna abruptly withdrew from the Trans-America Service. Two weeks later Siegel was shot to death.

Mr. OLNEY. That happened of course before our commission was formed, and that information is from the Los Angeles Police Department. That was a result of their investigation.

I might add something that is not in there, that the police department's own reports in advance of the Siegel shooting prophesied vio-

lence and gang warfare over the competitive situation that was developing in that wire service.

Mr. HALLEY. Would you go a little bit further into detail about the competitive situation that developed insofar as it affected the California-Nevada area?

Mr. OLNEY. I will to the best of my ability, but here again I would like to be sure that it is understood of course that I am repeating second-hand information. It is the result of inquiries and investigations rather than matters that I know directly of my own knowledge.

Senator HUNT. Mr. Olney, any time that you wish and ask us, I think we can take it off the record any time you would like to have your remarks off the record.

Mr. OLNEY. Thank you.

The personnel of the wire services has changed from time to time over the years in California. When Annenberg had this Nationwide News Service it was pretty clearly set up in the North. There was a partnership of Krelling and Cohen, which used the name of Pioneer News, that distributed all racing information for everything north of Tehachapi. In the South it was Eugene Normile and Russell Brophy who distributed it. When Nationwide News Service was dissolved and Continental Press took its place, there was considerable change. For a time Krelling and Cohen went out of business completely, for around 9 months. Normile went out of service forever. He quit entirely and Brophy took over. Then for a time Brophy seemed to be the main figure in the distribution of wire service in the South.

Senator HUNT. Is this Mickey Cohen?

Mr. OLNEY. No, this is Brophy.

Senator HUNT. You also used the name Cohen.

Mr. OLNEY. No. That is a different Cohen—Stanley Cohen, from San Francisco; no relation.

That continued up until about the time that Siegel came to California, which must have been 1943, or something like that, as I recall, but even then the changes in the key personnel were not too great. A man made his appearance who came from the East by the name of Tony Corrica. He had his headquarters in Phoenix, Ariz., and operated what he called the Washoe Publishing Co. in Phoenix and also in Reno. All of the racing information in California came through him during this period. He was the next higher in this echelon. That was the set-up as near as it could be judged up until 1945 or early in 1946 when there appeared a rival wire service called the Trans-America. They leased lines from Western Union, ticker service, and so forth. They had headquarters in Los Angeles, established another headquarters in San Diego, and were in process of applying for new leases over to San Bernardino County and then up into the San Joaquin Valley, but they never got that far. That group was a much rougher, tougher crowd than the former Continental people had been. They had men like Mickey Cohen and Jack Dragna and Joe Sica who were typical thugs attached to them. There were increasing indications that there was not competition but a struggle for monopoly between the two groups. Bookmakers in the areas that were being served by both of them, for example, were compelled to take both services. They had to buy them both or else. That was the word that they got. There

were a number of beatings and acts of violence of one sort or another against bookmakers who didn't take them both.

Mr. ROBINSON. Mr. Olney, may I clarify that here? You mentioned Brophy. Was he Ragen's son-in-law?

Mr. OLNEY. He was related to Ragen. Yes; that is right. He was his son-in-law.

Mr. ROBINSON. Was there a time when this violence that was going on that he was beaten by Joe Sica and Mike Cohen?

Mr. OLNEY. Yes; that was one of the incidents that took place. Brophy had a large office in the downtown area with a lot of phones and girls working. Two thugs walked in on him one day right during the working hours, with everybody there, and one of them was Mickey Cohen and the other one was Joe Sica. They had some words with Brophy and then proceeded to give him an unmerciful beating. They broke his ribs and I understand they damaged him internally to an extent that he has never recovered from it completely. It put him in the hospital. They then went through the place and jerked out all the equipment, cut all the lines and everything else, put the whole place out of business. That was during the period that there were these two rival groups there.

That continued with two groups up until the time that Ragen was murdered in Chicago. My best recollection is that that was in July of 1946, but within a week or 10 days after Ragen was killed in Chicago, Trans-America went out of business all over the United States, except in our area. In California and in Phoenix and in Nevada it was still operating. At that time it was controlled by Siegel. It continued to go along even though it had folded up everywhere else up until the time that Siegel was killed, and then, within a week or 10 days after Siegel's death, it folded up completely and Trans-America personnel, offices, and leases—the whole works—was taken over by Continental. It seemed to us incredible that those events were not related to the killings that had taken place.

Mr. HALLEY. If one relates the events and draws some conclusions, it would seem that on the death of Ragen whatever group was operating Trans-America in Chicago had made its peace with the Continental group. Would that be your conclusion?

Mr. OLNEY. It would be, and there were some positive indications of that.

Mr. HALLEY. What were they?

Senator O'Connor, we were in the midst of discussing the events surrounding the taking over of the wire service by groups and the warfare between Trans-America service and Continental leading up to the murder of Bugsy Siegel.

Senator O'Connor (presiding). Would you go right ahead.

Mr. OLNEY. There were some key personnel who had been originally associated with Nationwide News Service and then with Continental who had deserted Ragen and Continental at the time that Trans-America was formed, and there was a great deal of bitterness on Ragen's part and others. These incidents, for example, are related in that long statement that Ragen gave to the State's attorney in Chicago just before he was killed. So, there was personal animosity between the Ragen group and these deserters who had gone to Trans-America. After Ragen's death they were taken right back into Con-

tinental. They were absorbed there without difficulty, without trouble.

Mr. HALLEY. In other words, the very people who were fighting Continental became part and parcel of Continental.

Mr. OLNEY. That is correct.

Mr. HALLEY. In California, however, the group that was fighting Continental decided to keep right on fighting. Is that so?

Mr. OLNEY. That seemed to be the case.

Mr. HALLEY. And Bugsy Siegel was bossing it.

Mr. OLNEY. Evidently; yes. He was pretty well identified with Trans-America as being the controlling figure in the West.

Mr. HALLEY. Of course, at that time there was an existing set-up of distributors and bookies all operating through Continental. Is that right?

Mr. OLNEY. That is right.

Mr. HALLEY. Siegel was in effect trying, you say, to gain a separate position for himself?

Mr. OLNEY. It was a case of one group trying to "muscle in" on the other by force.

Mr. HALLEY. Siegel was just taking advantage of the "muscling in" that had started when Trans-America was organized. Would you come to that conclusion?

Mr. OLNEY. Siegel was there in California when Trans-America first appeared. It never existed separately from him as far as we know.

Mr. HALLEY. He was their representative there?

Mr. OLNEY. As far as we knew, he was always considered that.

Mr. HALLEY. He simply didn't join in the general peace which followed the death of Ragen.

Mr. OLNEY. No; he didn't. Others who were associated with him apparently did. Jack Dragna, for example, and Cohen also, had been——

Mr. HALLEY. Now you are talking about Mickey Cohen?

Mr. OLNEY. Mickey Cohen—had been fairly close to Siegel, and yet when this change in the wire service took place they evidently gave some indication of switching sides.

Mr. HALLEY. Was there a similar dispute in Nevada?

Mr. OLNEY. There was; yes.

Mr. HALLEY. And that finally resulted in hearings being held by the Governor of Nevada and a law passed to prevent discrimination in giving wire service; is that right?

Mr. OLNEY. Yes, but that hearing was a good deal later, and the difficulty that caused it was in 1948, I think. By that time Trans-America had gone out of existence even in Nevada, but the thing that caused the trouble there was that—I think I am giving you the substance of what is in that transcript. All I know about it is the testimony that was developed before the Nevada State Tax Commission. It appeared there that there were only certain books in Las Vegas who would be given the service, and even then only on the most exorbitant conditions. Siegel was the one who had started that method of operation. When Tony Corica had service, there was a standard price for all books in Nevada, and anybody who wanted to operate a hand-book could pay the price and get the service and run a licensed book.

When Siegel arrived, he just walked in on some of these fellows and indicated that he was in control of the service, and if they expected to continue they were going to have to cut him in. In some instances it was as much as 25 percent of the operations of the book that he wanted, and in other cases he demanded the complete concession of the book, the gambling establishment. Most of those places are run by leasing concessions out to professional gamblers, and any of the gamblers who didn't meet his conditions just had the wire service cut off, and they were out in the cold.

According to their testimony, a race book is really essential to a successful operation, not merely so much because of the profit that is involved in the book itself but because it brings in the daytime customer, and people who are in there will play the other games, too, particularly the slot machines. Without the book, they don't make very much money. There was a great deal of business like this, and there were some people, big establishments, who wanted to have books, who wouldn't meet or couldn't meet the terms that were being demanded. This was after Siegel's death that this took place. Violent threats went back and forth. One group filed a suit in the Federal court under the Sherman Antitrust Act, claiming they were discriminating against them. They didn't get anywhere with that. Then they took to tapping each other's wires, and that created a lot of difficulty. The district attorney of Clarke County made an appeal to the Governor to have a hearing on this thing for fear of the violence that was being threatened over it. So, they had their hearing, and a good deal of this came out.

Of course, there are some things that are confirmed by those hearings, and one of them is the complete dependence of these handbooks on the wire service. It is very plain that you can't operate without it. It is also perfectly plain that merely giving a public license doesn't mean that a man can go in business. The people who can determine who makes book and who doesn't make book in any community, whether it is licensed or unlicensed, are not the public authorities; they are this group who control the wire service.

Mr. HALLEY. That is because, you found, that they make so much money and control so much wealth and power that they are able to control other things besides the wire service. Is that correct?

Mr. OLNEY. That is one of the bad features of the thing. The control comes through the wire service itself, through being able to turn it on or turn it off.

Mr. ROBINSON. Mr. Olney, did those hearings develop information as to what section of the country these people went to when they wanted to appeal from conditions that prevailed in Las Vegas?

Mr. OLNEY. Yes. They went to Chicago.

Mr. HALLEY. In connection with the evils that you found, I gathered from your earlier testimony and would like to develop it in detail now, I think you stated that the evil was not so much in the book-making and the gambling but rather in the excess power wielded and the methods used to wield the power by those who control the wire service and therefore the books. Is that correct?

Mr. OLNEY. That is correct.

Mr. HALLEY. I think you mentioned that you found corruption almost invariably among the law-enforcement officials who permitted the service and bookmaking to go on. Would that be an accurate statement?

Mr. OLNEY. Yes. It would be inaccurate to use the word "invariably." The corruption was by no means invariable. It is very dangerous, I think, to generalize too much on that subject. To begin with, this condition grew up in our State without any alarm being sounded. It arose over a period of years, and there it was. There were evidences all right of corruption. There was much corruption that went along with this thing, and it is the corruption that is the dangerous aspect of it; but I don't mean to suggest that every time and every place bookmaking is to be found either in our State or elsewhere that there is necessarily corruption. One of the commonest things that has taken place—and in some respects it is worse than the outright bribery—is the fact that these groups have money enough to subsidize candidates and put them in office. If you put the man in office, you don't ordinarily have to pay him off. He just doesn't do anything.

Mr. HALLEY. They finance his campaign.

Mr. OLNEY. Yes. But that is not corruption in the ordinary sense. It is not bribery. It has a bad effect on government. There is no doubt about that.

Senator O'CONNOR. And yet, insofar as the end result is concerned it is more damaging than to have corruption in isolated instances.

Mr. OLNEY. It really is. The thing is, if they put men in office who do their bidding on one thing, they will do it on anything else.

Mr. HALLEY. They go into legitimate enterprises and use their power over local officials to gain advantages over other businessmen, do they not?

Mr. OLNEY. There have been some indications of that, but our information on that subject is very slight. Perhaps I should explain why, because I think that is one of the most interesting aspects of organized crime.

Our commission was very, very limited in its powers, and we had no effective subpoena power. We couldn't subpoena witnesses and compel them to give testimony unwillingly. We used subpoenas which were issued by the director of the department of corrections, but their validity was so doubtful that we couldn't use them except to afford legal protection to witnesses who were already friendly. When you get into investments and into the use of gangster funds in legitimate business and things of that kind, you can't get those facts out of the witnesses willingly. You have to have an effective subpoena power and be able to swear the witness and prosecute him if he lies, and call for books, records, and documents.

So, our inquiry on that subject is not as thorough as it should have been or might have been, I should say, and was not as thorough as we would like to have had it. It might be a little misleading if I didn't make it clear.

Mr. HALLEY. I am wondering whether perhaps we wouldn't gain more by going into a few of your specific investigations and your telling the committee a few of the details about them to back up some of the generalities we have been discussing.

First, would you complete the story of how you handled the wire service and got rid of it?

Mr. OLNEY. When the commission was first appointed, we suggested to the public utilities commission that they make a general inquiry on their own motion, as they had the authority to do—of

course, they have complete subpoena power—into the use that was being made of communications facilities in our State for unlawful purposes, which they did. That resulted in some extensive hearings. In that fashion we were able to get witnesses whether they wanted to testify or not. It ended up by the utilities commission being convinced of the dependence of the racket on the communications services and that the use made of telephones and telegraph, which facilities were short at that time, was enough to justify them in making an order applicable to all communications facilities in the State over which they had jurisdiction directing them to discontinue service or to refuse service whenever they had any reasonable grounds for believing it was to be used for an unlawful purpose. That regulation has been very effective. Under the regulation the leased wire of the Continental Press Service was eliminated. There are no “drops” on that wire in the State today. It has changed the whole appearance of the bookmaking racket and the size of it very much. It has eliminated the monopolistic aspect of it. It is still just as easy to place a bet in California as it ever was. You can go to a cigar counter or call a telephone number that a bellboy will give you or something of that sort and get in touch with a bookie who operates by telephone. But it is a telephone bet. You make your bet and maybe the next day, maybe at the end of the day, you find out whether you won or whether you lost, something of that sort. That is prevalent, but the thing that is not prevalent any more that used to be are these big open things that we call horse parlors, big rooms with the blackboards on the wall listing all the races and where people sit there in chairs and bet on race after race after race. That is the big money-making operation.

In 1940, when we filed that injunction suit we were able to list by address and the name of the operator over 800 of those horse parlors in various parts of the State. Since we got rid of that Continental wire, we would have difficulty in listing half a dozen addresses with any assurance that you would find anything resembling that going on. For a time we couldn't find any. A few months ago, I think this was along in January or February, somewhere around there, we found a couple of horse parlors operating in San Bernardino. We couldn't figure out how that could be done, because the operation was similar to what had been going on before. They were getting a quick, fast, complete service—run downs and everything else. Nobody else was getting it. It baffled us for a long time. We spent a lot of time trying to run that down. We thought we must be up against something new. We found out what it was. It was a wire tap. The Continental lease line which goes all around the United States. Although there are no longer any “drops” on that wire in our State, the physical wire still goes through. There is one part of it that comes in through the southern part of the State and goes down to Mexico, down to Tijuana. Then it is looped through the full length of the State into Oregon and Washington. These fellows had detected that circuit in the Cajon Pass near San Bernardino and put on a regular physical wire tap. In doing so, they short-circuited the signal system for Santa Fe trains going through there which might have been serious. That is the way the thing was eventually discovered, through that short.

Incidentally, the investigation went far enough so that the Federal Government indicted those people for tapping that line and that is pending now.

That experience has made it plain to us that, when we find one of these horse parlors operating, it is a cinch that there is a tap on that line. There is no other way that they can get that information as yet.

It is very easy to underestimate the importance of that change, because superficially it doesn't seem as though there was much difference because it is still easy to place a bet, but it is the horse parlors where the money was and it is the horse parlors that can be controlled and monopolized. Without the wire service, there is no monopoly, because a bookmaker who operates by telephone gets his stuff over the radio and the newspapers, any one of a dozen different ways and doesn't have to pay for it. What profit there is in the operation he keeps. It doesn't go into the hands of a central organization. The only controlling and monopolistic aspect of it that remains has to do with the lay-off business. Most of these books are not bank rolled heavily enough to carry their own risks, and besides that they have to unload bets when they get in an unfavorable position. That is capable of being fairly well controlled, but nothing like the rigid monopoly that the wire service could maintain.

Mr. HALLEY. How is the lay-off business controlled?

Mr. OLNEY. It has to be done on credit. It has to be done by people who have money and are capable of handling the thing. It just by nature tends to be centralized.

Mr. HALLEY. In what hands is it centralized in the State of California?

Mr. OLNEY. That would be very hard for me to answer. We know of a couple of lay-off centers that have appeared fairly recently, one of them in San Francisco, and there has been another one in Los Angeles that has appeared. Those centers are operating something like a legitimate business, a sort of caricature of a legitimate business. For instance, there was a place called the Kingston Club in San Francisco that was a lay-off center for many years. These large gamblers, big operators like Sacramento Butch, and others who had plenty of money, would gather there and sit around, and somebody phoned in and wanted to know if anybody was interested in taking so many thousand on such and such a nag in such a race, and a man speaks up and says yes, he will take it; he will handle it. That is the way it is done. It is not a formal organization. To do business in that way requires confidence, credit, and knowledge, and money, and there are very few people who can do all those things.

Mr. HALLEY. And the ability to enforce your credit if somebody welshes.

Mr. OLNEY. Yes.

Mr. HALLEY. What would you say is the biggest single bookmaking operation that you investigated on the Commission?

Mr. OLNEY. By all means the Guaranty Finance Co. in Los Angeles.

Mr. HALLEY. How did they operate?

Mr. OLNEY. That was a very complicated operation. They had to begin with a charter from the State as a regular corporation authorized to do a small-loan-broker's business, and they maintained an office that had all the appearance of a regular loan office. Their operations were conducted mostly by runners. They had 128, I believe that we knew of from their records, men who spent their time during the day going around picking up bets, sometimes in factories, plants, stores, or wherever it might be. They would pick up the bets during the day

and then they would make payoffs the next day. It all funneled into this office of the finance company.

Mr. HALLEY. Did they receive special telephone service?

Mr. OLNEY. They had a large installation of telephones. The telephone company in our State ever since 1941 has had a formal policy, one of its rules that is posted as instructions to all employees, that the company will not give service to bookmakers or people who are using the telephones unlawfully. The result has been that bookmakers cannot get telephone service if the company is aware of what they are using it for. This big installation that the Guaranty Finance Co. had was listed under all kinds of names, like a service station, a monument company, a beauty parlor, an accountant, an answering service, all sorts of things of that sort.

Mr. HALLEY. Through these various devices they were able to get telephone service at a time when service was very difficult for the ordinary subscriber to get during the postwar period; is that right?

Mr. OLNEY. Yes. The bookies seemed to have little difficulty doing that.

Mr. HALLEY. While we are on that subject—

Mr. OLNEY. I should say this about that to make it clear as far as the company is concerned, because we went around and around with them on that subject. They did satisfy us of the existence of this condition in various places. The availability of telephone service depended a great deal on what the particular exchange happened to be. The shortage wasn't so much in the instruments as it was in the switching mechanism in the various exchanges, and some of those exchanges were loaded clear up, and then there was no way of putting in new service. You just had to wait until some other line went out of service before you could get one. At the same time there would be other exchanges a few miles away where the lines weren't all taken up, and there would be no difficulty about it. So we found that many of the specific cases that were reported to us and that we checked where bookies seemed to have telephone service and legitimate people could not get service, in many instances it was due to that difference in the exchanges.

Mr. HALLEY. Getting away for the moment from the telephone service and book to the wire service, has it not been developed that during the war at one period the telegraph wire went out of service and one of the large bookmaker wire service distributors was able to get his service resumed before the Western Defense Command did?

Mr. OLNEY. That was reported by the Federal Communications Commission. During the war they made an investigation that lasted a year and a half or 2 years of the use being made of communications facilities all over the country by gamblers to see whether or not it was interfering with the war effort. In their report one of the incidents that they relate took place down near Bakersfield where a plane crashed and happened to hit wires that knocked out all of the telegraph circuits between the north and the south. Then service was resumed, as is usual in such cases, by routing the service around the damaged area. They had the statistics on the time when resumption of service took place. This incident happened in 1942 when things on the coast looked awfully bad, and we actually felt we were going to be attacked at any time. Among the lines that were knocked out was the Continental Press line and also the telegraph wire that was used by

the Fourth Army that went clear down to Mazatlan, Mexico. Continental Press wire had service resumed in something like 15 minutes and the Fourth Army's was 2 or 3 hours before it was resumed.

Mr. HALLEY. Getting back to the telephone service, the Guaranty Finance, the telephone company actually did make a complaint about Guaranty Finance, did they not?

Mr. OLNEY. They made a report. It was not exactly a complaint. They reported it to the sheriff's office because the location was in unincorporated territory. The telephone company is, of course, not a police agency. They are not doing law-enforcement work and nobody expects them to, but when facts come to their attention that indicate something is wrong, they are expected to report, and that is what they do under their rules. They reported these Guaranty Finance Co. installations over and over again. For example, one of these phones was listed to a service station and yet it was on the second floor. One of their employees pointed out that if all these businesses were really on the premises, as indicated by the telephone listings, there wouldn't be room enough in the building to hold them all. They did report that.

Mr. HALLEY. Would you be able to state whether or not those complaints were made to the attorney general's office?

Mr. OLNEY. My recollection is that there were two or three cases where their reports showed that the information had been given to somebody in the attorney general's office. Most of them were to the sheriff's office.

Mr. HALLEY. Who finally prosecuted?

Mr. OLNEY. The Guaranty Finance Co.?

Mr. HALLEY. Yes.

Mr. OLNEY. The district attorney of Los Angeles County.

Mr. HALLEY. Did your commission seize the Guaranty Finance Co.'s records?

Mr. OLNEY. First, I should say that our commission got them from our corporation commissioner. We became suspicious due to a number of circumstances concerning this outfit and inasmuch as they had a license from the corporation commissioner to operate their brokerage outfit we got in touch with the corporation commissioner and they made a check and came back and they were as suspicious as we were. Under their statute they had the power to go in and make an actual investigation on the premises, take possession temporarily of the records, and subpoena witnesses and find out what was going on. So they did that. They quickly found it was a bookmaking operation and had all these records. They notified us, and we in turn subpoenaed those records from them. Then we turned them over to the Bureau of Internal Revenue because of the tremendous amounts that were involved and the nature of some of the entries that appeared in there. They turned them back after some months. Then we turned them over to the district attorney of Los Angeles County, and he presented the matter to the grand jury. Ten of them were indicted; eight of them were convicted. Was it 12 that were indicted? Eight of them were convicted, including the four principals and four of the employees. The principals were recently sent to a State prison.

Mr. HALLEY. Did a special agent, I think his name is McClary, of the attorney general's office, conduct an investigation of Guaranty Finance and report that he had not found any illegal activity?

Mr. OLNEY. All I know about that, Mr. Halley, is what has been in the newspapers and what is in our report there. The investigator did visit the premises, I understand, and nothing happened.

Mr. HALLEY. Was the bookmaking business interrupted the day he was there?

Mr. OLNEY. Not as far as the records show.

Mr. HALLEY. The records indicate the business continued.

Mr. OLNEY. As near as you could tell from the records it wasn't; it went on as usual. This was about a week or 10 days before the corporation commissioner went in there. But there has been controversy over what that investigator saw and what he reported and what was going on at the time he was there.

Mr. HALLEY. There is no question that the attorney general took no steps to stop the activity; is that right?

Mr. OLNEY. There is no question about that, no; he did not. I say there is no question about that; he did not.

Mr. HALLEY. Was Guaranty Finance finally convicted?

Mr. OLNEY. The four principals were convicted; yes.

Mr. HALLEY. And are they now out of business?

Mr. OLNEY. They are out on bail pending appeal. I would be very doubtful that they are out of business.

Mr. HALLEY. Has the attorney general's office in California been aggressive in its efforts to prosecute this company?

Mr. OLNEY. I much prefer not to answer questions of that sort because I can only do so by my own opinions and conclusions. I would like to stick to the facts.

Senator O'CONNOR. Can you state facts which might bear upon that subject from which we can draw our own conclusions?

Mr. OLNEY. In our commission and its efforts to find out what was going on and to get agencies interested in stopping things which we thought were going on we have had no help from the attorney general.

Mr. ROBINSON. Perhaps I can help in the matter that the Senator wants here. Was there a point reached where the attorney general concluded that the crime commission had obtained information as a result of telephone monitoring which led to the Guaranty Finance matter?

Mr. OLNEY. Yes; that is right.

Mr. ROBINSON. Did he take any action with respect of it?

Mr. OLNEY. Apparently he did. I could relate what I know about it if that is what is desired.

Senator O'CONNOR. Please do.

Mr. OLNEY. I can sum it up this way: The district attorney of Los Angeles County informed us that some time after we had obtained these records of the Guaranty Finance Co. and also after we had given the telephone company a long list of phones that the Guaranty Finance Syndicate were using, as a result of which they discontinued service for several hundred, following that the attorney general told Mr. Simpson, the district attorney of Los Angeles County, that he thought that the telephone company was tapping its own lines or monitoring its own lines in its own exchanges for the benefit of the crime commission, and that that was a violation of the wire-tapping statute. We have a State statute on it. He said it ought to be investigated and prosecuted. He was quite insistent that that be done and that our commission be indicted. But the difficulty

with it, as it turned out, was that, of course, nothing of that sort had happened at all. There was no wire tapping or monitoring of any kind.

The list of telephones that we had given to the telephone company to remove was not obtained in any such fashion as that. They were the telephones that appeared right in the Guaranty Finance Co.'s records, the ones they were paying the bills on.

Mr. ROBINSON. Along that line, Mr. Olney, when the crime commission asked the telephone company to terminate this service, thereafter there followed litigation by the subscribers seeking to get their service back?

Mr. OLNEY. Yes, there did.

Mr. ROBINSON. Was there a provision that a telephone company had to be authorized by a law-enforcement agency?

Mr. OLNEY. Yes.

Mr. ROBINSON. Did the attorney general construe in both affirmative and negative manner the question of whether the crime commission was or was not a law-enforcement agency?

Mr. OLNEY. There was a matter of an opinion which came out in connection with our power in that litigation, but it is rather incidental to the inquiry here.

Mr. ROBINSON. His final holding was what?

Mr. OLNEY. It was involved. I know the net result of it was that it indicated that the crime commission was without any authority to pass on any information to the telephone company of the sort that we had, but there was more to the opinion than that. The details of it I don't recall.

Mr. HALLEY. What was your experience in connection with the slot-machine racket in California?

Mr. OLNEY. We made some inquiry into that. We found that there were a great many slot machines in California in various parts of the State. They had all the usual accompaniments that go with them that you find in other States, all the enforcement and governmental difficulties, all the complaints that went with them. But they were spotty. There were some counties that had them, and many counties that had none at all. We carried our inquiries as far as we could. The thing we were interested in was to see whether or not that racket was really syndicated, and, if so, to what extent. It resulted in our making some recommendations to the Governor and to the legislature with respect to changes in our slot machine statutes which were made, so that machines are now subject to seizure on sight. Formerly you had to have actual evidence that the machine had been played and paid off before you could get a conviction, so it made it most difficult and very expensive to try cases on them. Since the law was changed at the last legislature and we have an improved statute, most of the machines, not all of them by any means, most of them are gone. Most of them were shipped into Nevada to get away from that statute.

Mr. HALLEY. Were you able through the efforts and investigations of your commission to obtain any convictions in connection with the slot-machine racket?

Mr. OLNEY. No; we didn't. We had no law enforcement authority whatever. We had none of the powers of peace officers and none of the commission personnel or its staff had any authority to appear in court or take part in any prosecutions. The thing that we did do

in our inquiries when we had evidence indicating some criminal offense, we would take that to the regularly constituted authorities for prosecution. We interested them in the matter and tried to assist them as much as we could. There were a number of cases of that sort.

Mr. HALLEY. It was my understanding that in Mendocino County, for instance, police officers who had been retired and a man who was then actively an assistant on the attorney general's staff were convicted?

Mr. OLNEY. That is correct, there was. In our inquiries in the slot-machine racket and the punchboard racket, too, which were very closely connected, we found something going on at the time our commission was functioning which had never happened in the history of the State. There was evidence which was very convincing to us of a genuine effort to try to organize a system of protection for these machines to begin with and other operations later, to cover the whole State, a State-wide system. We had concrete evidence of that sort, stronger in some counties than in others, in 16 different counties of the State during a period of some 2 years. The Mendocino County case was one, and in that case criminal prosecution resulted and there were some convictions. In fact, it broke up the system for all practical purposes.

Mr. HALLEY. Was this assistant attorney general convicted?

Mr. OLNEY. No, no. There was a man named Caddell, who was one of the defendants and who was convicted, and he had been associated at the time of these acts with the attorney general's office. He was the attorney general's—I think he called him his coordinator of law enforcement. Anyway, he had a traveling assignment to travel all around the State working with various law enforcement agencies. It was a responsible position. He was convicted. He was an investigator, not an assistant attorney general.

Mr. HALLEY. Was he found to have made graft payments to the sheriff of Mendocino County?

Mr. OLNEY. Not personally. There was a group charged with conspiracy to violate the gambling laws and also conspiracy to bribe the sheriff as an incident to the other one. They were convicted in all those counts. There was evidence of two bribes paid to the sheriff to permit the machine to run, but they were not paid by this man in person. It was paid by one of the codefendants. He was convicted as a member of that conspiracy.

Mr. ROBINSON. Some years ago, Mr. Olney, the mayor of Los Angeles was recalled and the mayor who is presently serving was elected on that recall movement.

Mr. OLNEY. Yes; that is right. That was in 1938, I believe.

Mr. ROBINSON. Some of the allegations that sponsored that recall movement were the activities of the vice squad of the Los Angeles Police Department?

Mr. OLNEY. I don't know. I don't know enough about that recall.

Mr. ROBINSON. I am trying to develop the antecedents of Wiley Caddell and James Mulligan, who were convicted in the Mendocino case.

Mr. OLNEY. All I know about that is simply that both of those men had been in the Los Angeles Police Department for twenty-odd years, something of the sort. They were there in the police department prior

to Mayor Bowron's election. They were there for a while afterwards, too, I think. I don't know how long.

Mr. ROBINSON. Members of the vice squad?

Mr. OLNEY. Yes.

Mr. ROBINSON. Caddell then became coordinator of law enforcement for the attorney general's office?

Mr. OLNEY. No. He went from the police department into the district attorney's office of Los Angeles County. He was an investigator there I believe for quite a few years and didn't become investigator in the attorney general's office until 1947.

Mr. ROBINSON. Was he a civil service employee in the attorney general's office?

Mr. OLNEY. No, he was not.

Mr. HALLEY. Isn't it a fact that this man Caddell actually delivered slot machines to Mendocino County?

Mr. OLNEY. Not that I know of.

Mr. HALLEY. Wasn't that established at the trial?

Mr. OLNEY. No.

Mr. HALLEY. It was my understanding—correct me if it is wrong—that one of the defendants, and Mr. Robinson said it was probably Griffin, brought slot machines from San Bernardino County to Mendocino County.

Mr. OLNEY. Yes, there was testimony of that sort indicating he went with a truck from Mendocino County down into Los Angeles and then over to San Bernardino and then back up to Mendocino County. My recollection is that the movements of the truck were traced by the gasoline tickets where he bought gasoline. Then he showed up with some slot machines up there.

Mr. HALLEY. That was part of this conspiracy with Caddell, is that correct?

Mr. OLNEY. That is correct.

Mr. HALLEY. Isn't it also a fact that previously certain slot machines had actually been seized in San Bernardino by the attorney general's office at the direction of Caddell?

Mr. OLNEY. That is true, but as to whether or not the machines that then appeared in Mendocino County were the same ones that were seized in San Bernardino County, we never knew for sure. We never could prove it.

Mr. HALLEY. There was the inference, but there was a gap in the evidence.

Mr. OLNEY. That is right.

Mr. HALLEY. Was the attorney general cooperative with the prosecution in Mendocino County?

Mr. OLNEY. No, he was not; quite the contrary.

Mr. HALLEY. This is Fred Howser, who was then attorney general, is that right?

Mr. OLNEY. That is right, it was.

Mr. HALLEY. Was he also the attorney general during the period of the Guaranty Finance Corp. investigation?

Mr. OLNEY. Oh, yes.

Mr. HALLEY. Didn't he actually make the statement that the prosecution in Mendocino County was a dead one?

Mr. OLNEY. Well, he did at one time; yes. It was when the grand jury first began. I think it was before the grand jury hearing. He

made an investigation of some sort of his own up there. That is my recollection. He made that remark in connection with it to the press.

Mr. HALLEY. Is it a fact that the chief investigator for the attorney general, Walter Lentz, took certain statements from your witnesses or the prosecution witnesses, to be more accurate, and made them available to the defense?

Mr. OLNEY. I don't believe it was Mr. Lentz. During that Mendocino County case after the indictment was returned and before a verdict was finally returned, the attorney general's office under Mr. Lentz—I mean he was the chief investigator and he himself went up there—they took their whole investigative staff up there. That is a small county, and they had more investigators from the attorney general's office than they did deputy sheriffs in the whole county working on this case. They took statements from many, many witnesses. None of those statements were ever made available to the prosecution, and at the trial they showed up in the hands of defense counsel.

Mr. HALLEY. Who was James M. Mulligan in that case?

Mr. OLNEY. I believe a former Los Angeles police officer, formerly on the vice squad there.

Mr. HALLEY. Was there testimony that he had been collecting as much as \$10,000 a month in protection money from various gamblers?

Mr. OLNEY. No, there was not testimony to that effect at that trial.

Mr. HALLEY. Didn't Fred Grange, one of the defendants in that trial, so testify? I know it is hard to remember these things because we are going back a ways and covering a lot of ground.

Mr. OLNEY. I remember the alleged incident that you are referring to, but I have difficulty in attributing that to any testimony that Grange gave. Grange had knowledge of some items that bore on that subject, but I don't believe he gave any such testimony as that. I don't think that testimony came out at that trial.

Mr. HALLEY. Was there such a statement made by Grange in the course of your official investigation?

Mr. OLNEY. Yes, Grange had something to say on that, but my recollection of that is that Grange said that he had been told by one of his other codefendants—I forget which one, Griffin, I believe—that Mulligan had been collecting those sums of money. I don't believe Mulligan ever made that statement to Grange, and I don't think Grange ever gave any testimony on it.

Mr. HALLEY. The committee has been looking from time to time into connections between organized crime in the narcotics racket. Did you find anything in that connection in your work in California?

Mr. OLNEY. Oh, my, yes.

Mr. HALLEY. Would you describe it generally?

Mr. OLNEY. Here again I must make it clear that I am repeating information that we get second-hand. In our inquiries in the narcotics racket we got a tremendous amount of help of all sorts from the Federal Bureau of Narcotics.

Mr. HALLEY. Would you go ahead on the narcotics?

Mr. OLNEY. We tried to find out the extent that we had a narcotics traffic in our State and how it was organized and the extent to which it was syndicated. Right at the outset we were advised by the Federal Narcotics Bureau, and our own inquiries subsequently confirmed it, that it is impossible with an investigation that is limited to the State of California to penetrate any great distance into the narcotics

racket for the reason that the main centers of that racket are not in our State. They are outside. While we have distribution of narcotics and, inquiries inside our State boundaries will show one distribution system after another, it gives the appearance of there being a considerable number of separate rings. The Federal narcotics agents told us and we became eventually satisfied of the accuracy of it, that in most instances those rings are connected at the top, but deliberately and on purpose distribution systems are kept separate from one another and very often in ignorance of one another, for protective reasons, among others.

We encountered that, and then also in our work we found people connected with the narcotics racket mixed up with the wire service and the bookmakers, prostitution, and even the abortion racket.

Mr. HALLEY. You became particularly acquainted with Joe Sica's narcotics activities, is that right?

Mr. OLNEY. That is right.

Mr. HALLEY. That was one of the biggest narcotics rings uncovered in California, I think.

Mr. OLNEY. Yes. Of course we had nothing to do with that. That was covered by the regular agencies, not by us. We were very familiar with it.

Mr. HALLEY. Wasn't there a point at which you stated that the State bureau of narcotics did everything it could to make one of the most important witnesses unavailable to the Federal grand jury?

Mr. OLNEY. No, I did not make that statement. There was difficulty between Colonel White, who was the Federal supervisor for the Bureau of Narcotics in connection with the Sica case, and the chief of the State narcotics bureau over the matter of the treatment to be accorded to an essential witness against Sica and his codefendants that the Federal people wanted to use. It is right in Colonel White's report that he made at the time to his superiors that at that time the chief of the State bureau told him he was going to do everything he could to keep that witness from being available.

Mr. HALLEY. What happened to the witness?

Mr. OLNEY. He was murdered.

Mr. HALLEY. What were the events surrounding the murder?

Mr. OLNEY. He had testified before the Federal grand jury in Los Angeles, and there were 16, I believe is the number, people who were indicted in that narcotics ring, Joe Sica being the most important one. The Federal agents, realizing the danger the man was in, sent him out of the State and tried to keep him out of the State until the time of the trial, but he insisted on coming back to his home in Fresno. They had no way of controlling him and he did come back there. He lived there in the house with his mother and father. One morning about 11 o'clock they left him there in the house. He was alone asleep in the living room on a sofa at that time, taking a nap. They came back a couple of hours later and he was still there in the same position, but somebody had come in there and shot him through the head.

Mr. HALLEY. Sica and that group were connected with gangsters throughout the country, as far as you know, is that so?

Mr. OLNEY. Our records show that.

Mr. HALLEY. Do they show that Sica had originally worked in New Jersey?

Mr. OLNEY. That is what the record shows.

Mr. ROBINSON. You referred to Joe Sica earlier in your testimony, I believe, Mr. Olney. Was he the same individual you referred to as ripping the telephones out of Russell Brophey's wire service installation?

Mr. OLNEY. That is the same one.

Mr. ROBINSON. At that time he was associated with Mickey Cohen.

Mr. OLNEY. At that time he was with Mickey Cohen. They were together in person at the time they pulled Brophey's telephones off the wall and beat him up.

Mr. ROBINSON. Are there indications that he later became associated with the Dragna organization?

Mr. OLNEY. Oh, yes.

Mr. HALLEY. On the basis of these investigations you have made, is there anything you would want to say about your conclusions or recommendations for the guidance of this committee?

Mr. OLNEY. I haven't anything that I feel I ought to offer in response to that, but there is one thing that I would like to mention, and it has to do with the wire service. I understood that that was the subject that you were going to ask me about mostly, which has been quite disappointing to us. We found in our own experience that the denial of free access to the communications services does prevent the effective operation of the wire service and it does break up the monopolistic aspect of bookmaking which is the most dangerous part, but we are still having trouble because of the flood of information that can be sent over our borders by telephone where it is readily available on the other side. Also we are having trouble with the Continental line being tapped in our own State, as I have related earlier. It is rather hard to see any justification—rather, I will put it in this way: If it is appropriate and proper to get rid of the wire service in one State the way it has been done in California, it would seem to be in order to do it elsewhere, and it would certainly simplify our problem a great deal. Our own public utilities commission filed a formal petition with the Federal Communications Commission in Washington on—I have a copy of it here—October 4, 1948, suggesting that the FCC undertake an inquiry similar to the one that we did in California, to take a look at the use being made of the communications facilities, with the view, if the evidence and circumstances and authority make it appropriate, to have a similar order effective as far as interstate communications facilities are concerned. In the communication they set out the reasons for it, and they attach a copy of their own order of investigation and of the order that resulted from it. But that thing has been buried for a year and a half and nothing has happened.

Senator HUNT (presiding). You have had no response from it at all?

Mr. OLNEY. No noticeable response.

Senator HUNT. What date was it?

Mr. OLNEY. Perhaps I could leave this copy with you.

Senator HUNT. Good.

Mr. OLNEY. It was dated October 4, 1948. It was signed by the president of the commission and every member, but there has been no action. It seemed to us that, assuming that the authority exists for

that action under the Federal law, it would have a tremendous effect on the bookmaking racket all over the United States and get rid of the worst features of it.

Mr. HALLEY. May we keep this copy and put it in evidence?

Mr. OLNEY. Yes.

Mr. HALLEY. Thank you. I offer this as exhibit No. 18.

(The document referred to appears in the appendix on p. 262.)

Mr. HALLEY. Is there any further comment you think you would like to make for the committee's guidance?

Mr. OLNEY. No, sir.

Mr. HALLEY. Mr. Robinson has a point he wishes to develop.

Mr. ROBINSON. With the curtailment of the wire service in California, Mr. Olney, did it then become apparent that the bookmakers resorted to long-distance telephone calls?

Mr. OLNEY. Oh, yes.

Mr. ROBINSON. Did the crime commission undertake any analysis of these telephone toll calls?

Mr. OLNEY. Yes; we did quite systematically for a time.

Mr. ROBINSON. Did any particular pattern develop insofar as calls related to any general area of California or were they distributed pretty thoroughly throughout the country?

Mr. OLNEY. What we did, when the Continental wire was discontinued, a certain amount of bookmaking still went on. There was some kind of service that was coming in and getting through, and very obviously by long-distance telephone call. Sometimes it was done very systematically. The lines would be kept open from Reno, for example, down to Bakersfield or Fresno or some other place, and then the racing information would come down over that line and then, if the call terminated at Bakersfield, it would go out to other parts of the State.

That was being done on a fairly methodical basis, so we tried to find out if it would be difficult to control it simply by running back the telephone toll tickets until the locations were located. Once you find the location, you can get the phone taken out. It is not difficult to control under the kind of order that we have. We did try to undertake to subpoena systematically the toll tickets, and it was not difficult to trace out the network from one telephone to the other. But we also found that that was only feasible if it was done by an agency that had at least State-wide jurisdiction; that it couldn't be done by local authorities because usually the calls that supplied the local bookmakers aren't on the tickets locally. For example, Bakersfield was one of the principal centers where calls from Nevada were received. The bookmakers in San Francisco were being supplied with information by Bakersfield, but those calls appeared on the tickets in Bakersfield. So, although you had your bookmaking operation in San Francisco, there was nothing in the telephone-company records that would lead you back to Bakersfield. So for a county agency to try to run that back wouldn't be practicable, but the State is big enough to make a thorough investigation.

Is that what you are referring to?

Mr. ROBINSON. Beyond that, Mr. Olney, there were also indications there that the contacts were pretty well spread throughout the entire country as well.

Mr. OLNEY. Yes. In connection with those calls, of course all you get when you subpoena telephone records are records of phone calls, and there is nothing to indicate what the purpose of them was. So when we were trying to check this network for the wire service we hit into the calls for the lay-off men. I think that is what you are referring to. We found a series of calls throughout other cities. There were some in Louisiana, some in Kansas City, and St. Louis, some in New York as I recall. We concluded eventually that those were in the largest part lay-off traffic rather than wire service.

Mr. HALLEY. It may interest you to know that last week this committee had testimony from the Miami S. & G. Syndicate to the effect that daily telephone calls were made all over the country to check hot bets, that there was a regular series of phone numbers and localities where bets that were suspected of being hot were checked as a regular practice each day. That may be one of the reasons for the phone calls you found.

Mr. OLNEY. That may very well be. I must say there is a great deal about that business that I don't pretend to know. It is very intricate.

Senator HUNT. Mr. Olney, have you had any opportunity or reason to familiarize yourself with the so-called McFarland bill, which is designed to prevent the interstate transmission of racing information?

Mr. OLNEY. No, sir; I have not. I saw in the paper that such a bill had been introduced, but I have never seen a copy of it. I am not familiar with its provisions.

Senator HUNT. Has the question been asked you this morning that in your work out in California you have seen any evidence of this hot money getting into hotel ownership, public utility ownership, and things of that nature?

Mr. OLNEY. We have had only vague rumors to that effect. It is one of the subjects that the commission itself I think felt was very important and ought to be examined into, but our authority was so weak that we were in no position to do it. We had none of the powers of a law-enforcement agency and we had no effective subpoena power. You can't get that information unless you serve subpoenas on people to bring in books and records, on unwilling witnesses and compel them to reveal the facts and either bring contempt proceedings if they refuse or prosecute them for perjury if they lie. Without that power we could never penetrate into that subject and we feel that it has been a door that should be opened.

Senator HUNT. I think Mr. Halley asked you this question, but I am going to ask it in perhaps a little different way. This committee wants to be helpful to every crime commission and to every State. Do you know of any assistance in any way that this committee can be helpful to the California Crime Commission? Do you have any suggestions to make to us that would make our work more effective?

Mr. OLNEY. Senator, our commission of course has expired at the end of June, but the statute under which it was appointed still exists and other commissions may perhaps follow it. Such suggestions of that sort that I would make would have to await our final report, which has not yet been published. I think we have some views of that sort in there.

Senator HUNT. Would you care to comment on what you think has been the degree of success of the work of your commission, or should that be passed over until your final report?

Mr. OLNEY. No, I would comment on that. Our work was successful in many respects, but the success that we achieved as far as results are concerned was due wholly to local law-enforcement agencies. Being without any power to act directly ourselves, we had in every instance to interest somebody to pick these things up and do something about them. We were able to do that in many cases, not as many as we would like. But the things that have been done, such prosecutions as have been had, such changes in the statutes as we have had, things of that sort may have originated with us but it was the local people who did the work and who were out on the firing line and fought these things through.

There is one thing I ought to say about our reports that perhaps doesn't appear in there very clearly as it should. I think anybody reading our reports, having no other knowledge of conditions in our State, would get quite a distorted picture of law enforcement in California. Our job of course was to inquire into organized crime where it existed, where we could find it and ferret it out. It was not a part of our job to applaud public officers who were doing their duty or to comment or make mention of communities where no problem existed as far as organized crime is concerned. The result is that there are reports of everything bad and nothing good in them. That is due to the subject of the inquiry we were making. The conditions that are portrayed there are not characteristic of the State as a whole or of county after county. One of the most noticeable things in our State and I imagine you must have found it in other States also is that it is just impossible to generalize about a large State. Some counties have no real problems as far as organized crime is concerned. The rackets can't operate there. Next door you will find a county where they just flourish. We have had that kind of situation. I am afraid our reports make no mention of the fact that we have good public officials and some very efficient law enforcement in places. The results and what we have been able to accomplish are attributable to that fact. It is only because we have had sound, effective local officials that we were able to get any results at all because we had no power.

Senator HUNT. One more question. In our work in Florida we found that Mickey Cohen had some operations by long distance telephone call almost daily from Los Angeles to Florida, with the result that we subpoenaed some records and found one group of checks running through the racing period amounting to, I think, some \$50,000, checks dated 2 to 3 days apart in amounts all the way from \$1,000 to, I think, one or two of \$5,000. In questioning the bookie who had signed the checks, a man by the name of O'Rourke, he said to us that Mickey Cohen never lost, which was the reason the checks were always going one way. In other words, Mickey would call up and place a bet, and in the final settlement every 2 or 3 days the advantage was always to Mickey Cohen's account.

Could that be what we might call legitimate betting or was that Mickey Cohen muscling in, and that was the easiest way to settle the account?

Senator HUNT. You wouldn't be able to tell.

Mr. OLNEY. Not at all. I did give Mr. Robinson this morning the names of a couple of others, some 30 or 40 thousand dollars more of Cohen's transactions similar to that in a different part of the country. What they mean I could only guess. I couldn't even guess.

(Discussion off the record.)

Senator HUNT. Thank you for responding to our call and giving us the information you have. We are very appreciative of your taking the time and trouble to meet with us.

(Whereupon, at 12:15 p. m. the committee adjourned subject to the call of the chairman.)

APPENDIX

EXHIBIT No. 2

[Miami Sunday News, April 16, 1950]

ONLY ISSUE IS McBRIDE

This community has heard a great deal this winter about the different phases of gambling, the groups which maintained it, the iniquitous figures that have gathered here at what has become known as the winter assembly point of criminal interests in the whole country. Recent developments have made clear the processes of fraud, falsehood—which is a common practice—and the devices hatched up by high-salaried attorneys to divert public attention from individuals and operations when disclosures have been embarrassing. There are many recurrent evidences of these devices. The point of this is found in a recent local event.

The Federal Communications Commission has been conducting an inquiry here because of charges filed with the central organization at Washington against one, Mickey McBride. In documents presented to the Commission, it has been alleged that he is not a worthy person to own or operate a public utility, a radio station, so closely allied to the lives and homes of our citizens. To meet this and refute the charges, McBride's attempt has been peculiar and illogical to say the least. The plan of himself and of his associates has been to confuse the public mind and to try to prove that the basic issue is not the worthiness or unworthiness of McBride, but that a conspiracy has been formed by older and existing radio stations to embarrass the one which McBride presides over.

It is needless to say that for many years Greater Miami has been served by four stations which provided outlets for that number of national networks—NBC, Columbia, AEC, and Mutual. Smaller stations without network connections have also sprung up in the last few years and all but one, as far as we know, have conducted themselves in keeping with all the requirements of the profession. The McBride station, it can be safely asserted, is the only one which has been severely criticized during the last winter, including in practices that are unethical, undignified, and unworthy of the good name of radio. There is only one issue and that is McBride.

It will be remembered that when the State government delved into the operation of the racing wire because that was recognized as the very center and life of the most profitable gambling, McBride, according to rumors which have persisted for many years, was one of the controlling figures in this operation. The heat of inquiry soon drove him into the public announcement that he had been the owner, but had recently conveyed title to his son, a young university student. This young man doubtless is undeserving of the notoriety which his father, in attempting to save himself, has brought to him. The son asserted under examination that he was the owner, or at least had been so advised; he did not know how it came about; he had not put out money to acquire it, nor did he know anything about its operation under his admitted or fictitious ownership. The whole plan and purpose of this unexplainable procedure was to shield Mickey McBride. This is not hearsay but public record. The FCC, created to prevent sharp practices, must see in this instance that there is a screw loose somewhere.

It is also a matter of official record that a business associate of McBride's was an ex-convict with a record too long to be recited in the space limitations of this article.

A third count in the testimony which hadn't been officially presented is that Mickey McBride, a friend of Al Capone, had at one time accosted the publisher of this newspaper in a public place, claimed that Capone was being misrepresented, that he was a man of good purpose and that McBride would like to bring him to

the publisher for a formal introduction. Of course, we are assuming that McBride spoke as a friend of Capone. He was interested in defending Capone, and that circumstance certainly implies close friendship.

Capone was then in serious trouble. The Daily News had revealed that he came in during the night, surreptitiously buying or leasing a house. Not only that, this newspaper exposed the fact that his killers—most of whom have since been killed in gang slayings—were playing golf with sawed-off shotguns in their golf bags at the Bayshore Club.

The infamous suggestion by McBride was resented, of course, and McBride was told never to speak again to the publisher, which he has never done because he never had an opportunity. McBride answers this by stating that he held conversation with the publisher on a railroad train, implying that it was after the disgraceful episode above stated. The fact is that when the publisher was coming to Miami in 1925 for the formal dedication of the News Tower building a man introduced himself as "Mr. McBride, of Cleveland" and held brief conversation with the publisher. That was 5 or 6 years before the appeal was made in behalf of McBride's friend, Al Capone.

This is recited only for the purpose of revealing the apparent lack of truth and character on the part of the McBride now under investigation. No, there is no desire to form any conspiracy against his radio station. The newspapers and radio stations of this community had nothing to do, so far as we know, with filing these charges. It was all a part of the crusade the crime commission is making on gambling and crime in Greater Miami.

If McBride is falsely accused, he should come forward with a certificate of character from the present Governor of Ohio, his home State. Governor Lausche has lived in Cleveland, McBride's home city, all of his life.

EXHIBIT No. 4

TITLE 18—UNITED STATES CODE CRIMES AND CRIMINAL PROCEDURE

CHAPTER 41. EXTORTION AND THREATS

SEC. 871. *Threats against President.*—Whoever knowingly and willfully deposits for conveyance in the mail or for delivery from any post office or by any letter carrier any letter, paper, writing, print, missive, or document containing any threat to take the life of or to inflict bodily harm upon the President of the United States, or knowingly and willfully otherwise makes any such threat against the President, shall be fined not more than \$1,000 or imprisoned not more than five years, or both.

SEC. 876. *Mailing threatening communications.*—Whoever knowingly deposits in any post office or authorized depository for mail matter, to be sent or delivered by the Post Office Department or knowingly causes to be delivered by the Post Office Department according to the direction thereon, any communication, with or without a name or designating mark subscribed thereto, addressed to any other person, and containing any demand or request for ransom or reward for the release of any kidnapped person, shall be fined not more than \$5,000 or imprisoned not more than twenty years, or both.

Whoever, with intent to extort from any person any money or other thing of value, so deposits, or causes to be delivered, as aforesaid, any communication containing any threat to kidnap any person or any threat to injure the person of the addressee or of another, shall be fined not more than \$5,000 or imprisoned not more than twenty years, or both.

Whoever knowingly so deposits or causes to be delivered as aforesaid, any communication with or without a name or designating mark subscribed thereto, addressed to any other person and containing any threat to kidnap any person or any threat to injure the person of the addressee or of another, shall be fined not more than \$1,000 or imprisoned not more than five years, or both.

Whoever, with intent to extort from any person any money or other thing of value, knowingly so deposits or causes to be delivered, as aforesaid, any communication, with or without a name or designating mark subscribed thereto, addressed to any other person and containing any threat to injure the property or reputation of the addressee or of another, or the reputation of a deceased person, or any threat to accuse the addressee or any other person of a crime, shall be fined not more than \$500 or imprisoned not more than two years, or both.

SEC. 877. *Mailing threatening communications from foreign country.*—Whoever knowingly deposits in any post office or authorized depository for mail matter of any foreign country any communication addressed to any person within the United States, for the purpose of having such communication delivered by the post office establishment of such foreign country to the Post Office Department of the United States and by it delivered to such addressee in the United States, and as a result thereof such communication is delivered by the post office establishment of such foreign country to the Post Office Department of the United States and by it delivered to the address to which it is directed in the United States, and containing any demand or request for ransom or reward for the release of any kidnaped person, shall be fined not more than \$5,000 or imprisoned not more than twenty years, or both.

Whoever, with intent to extort from any person any money or other thing of value, so deposits as aforesaid, any communication for the purpose aforesaid, containing any threat to kidnap any person or any threat to injure the person of the addressee or of another, shall be fined not more than \$5,000 or imprisoned not more than twenty years, or both.

Whoever knowingly so deposits as aforesaid, any communication, for the purpose aforesaid, containing any threat to kidnap any person or any threat to injure the person of the addressee or of another, shall be fined not more than \$1,000 or imprisoned not more than five years, or both.

Whoever, with intent to extort from any person any money or other thing of value, knowingly so deposits as aforesaid, any communication, for the purpose aforesaid, containing any threat to injure the property or reputation of the addressee or of another, or the reputation of a deceased person, or any threat to accuse the addressee or any other person of a crime, shall be fined not more than \$500 or imprisoned not more than two years, or both.

EXHIBIT No. 5

TITLE 18. UNITED STATES CODE

CHAPTER 61. LOTTERIES

SEC. 1301. *Mailing lottery tickets or related matter.*—Whoever knowingly deposits in the mail, or sends or delivers by mail:

Any letter, package, postal card, or circular concerning any lottery, gift enterprise, or similar scheme offering prizes dependent in whole or in part upon lot or chance;

Any lottery ticket or part thereof, or paper, certificate, or instrument purporting to be or to represent a ticket, chance, share, or interest in or dependent upon the event of a lottery, gift enterprise, or similar scheme offering prizes dependent in whole or in part upon lot or chance.

Any check, draft, bill, money, postal note, or money order, for the purchase of any ticket or part thereof, or of any share or chance in any such lottery, gift enterprise, or scheme;

Any newspaper, circular, pamphlet, or publication of any kind containing any advertisement of any lottery, gift enterprise, or scheme of any kind offering prizes dependent in whole or in part upon lot or chance, or containing any list of the prizes drawn or awarded by means of any such lottery, gift enterprise, or scheme, whether said list contains any part or all of such prizes—

Shall be fined not more than \$1,000 or imprisoned not more than two years, or both; and for any subsequent offense shall be imprisoned not more than five years.

SEC. 1303. *Postmaster or employee as lottery agent.*—Whoever, being a postmaster or other person employed in the Postal Service, acts as agent for any lottery office, or under color of purchase or otherwise, vends lottery tickets, or knowingly sends by mail or delivers any letter, package, postal card, circular, or pamphlet advertising any lottery, gift enterprise, or similar scheme, offering prizes dependent in whole or in part upon lot or chance, or any ticket, certificate, or instrument representing any chance, share, or interest in or dependent upon the event of any lottery, gift enterprise, or similar scheme offering prizes dependent in whole or in part upon lot or chance, or any list of the prizes awarded by means of any such scheme, shall be fined not more than \$100 or imprisoned not more than one year, or both.

EXHIBIT No. 6

TITLE 18. UNITED STATES CODE

CHAPTER 63. MAIL FRAUD

SEC. 1341. *Frauds and swindles.*—Whoever, having devised or intending to devise any scheme or artifice to defraud, or for obtaining money or property by means of false or fraudulent pretenses, representations, or promises, or to sell, dispose or, loan, exchange, alter, give away, distribute, supply, or furnish or procure for unlawful use any counterfeit or spurious coin, obligation, security, or other article, or anything represented to be or intimated or held out to be such counterfeit or spurious article, for the purpose of executing such scheme or artifice or attempting so to do, places in any post office or authorized depository for mail matter, any matter or thing whatever to be sent or delivered by the Post Office Department, or takes or receives therefrom, any such matter or thing, or knowingly causes to be delivered by mail according to the direction thereon, or at the place at which it is directed to be delivered by the person to whom it is addressed, any such matter or thing, shall be fined not more than \$1,000 or imprisoned not more than five years, or both.

SEC. 1342. *Fictitious name or address.*—Whoever, for the purpose of conducting, promoting, or carrying on by means of the Post Office Department of the United States, any scheme or device mentioned in section 1341 of this title or any other unlawful business, uses or assumes, or requests to be addressed by, any fictitious, false or assumed title, name or address or name other than his own proper name, or takes or receives from any post office or authorized depository of mail matter, any letter, postal card, package, or other mail matter addressed to any such fictitious, false, or assumed title, name, or address, or name other than his own proper name, shall be fined not more than \$1,000 or imprisoned not more than five years, or both.

EXHIBIT No. 7

TITLE 18—UNITED STATES CODE

CHAPTER 71. OBSCENITY

SEC. 1461. *Mailing obscene or crime-inciting matter.*—Every obscene, lewd, lascivious, or filthy book, pamphlet, pictures, paper, letter, writing, print, or other publication of an indecent character; and

Every article or thing designed, adapted, or intended for preventing conception or producing abortion, or for any indecent or immoral use; and

Every article, instrument, substance, drug, medicine, or thing which is advertised or described in a manner calculated to lead another to use or apply it for preventing conception or producing abortion, or for any indecent or immoral purpose; and

Every written or printed card, letter, or circular, book, pamphlet, advertisement, or notice of any kind giving information, directly or indirectly, where, or how, or from whom, or by what means any of such mentioned matters, articles, or things may be obtained or made, or where or by whom any act or operation of any kind for the procuring or producing of abortion will be done or performed, or how or by what means conception may be prevented or abortion produced, whether sealed or unsealed; and

Every letter, packet, or package, or other mail matter containing any filthy, vile, or indecent thing, device, or substance; and

Every paper, writing, advertisement, or representation that any article, instrument, substance, drug, medicine, or thing may, or can, be used or applied for preventing conception or producing abortion, or for any indecent or immoral purpose; and

Every description calculated to induce or incite a person to so use or apply any such article, instrument, abstinence, drug, medicine, or thing—

Is declared to be nonmailable matter and shall not be conveyed in the mails or delivered from any post office or by any letter carrier.

Whoever knowingly deposits for mailing or delivery, anything declared by this section to be nonmailable, or knowingly takes the same from the mails for the

purpose of circulating or disposing thereof, or of aiding in the circulation or disposition thereof, shall be fined not more than \$5,000 or imprisoned not more than five years, or both.

The term "indecent," as used, in this section includes matter of a character tending to incite arson, murder, or assassination.

EXHIBIT No. 8

TITLE 18—UNITED STATES CODE

CHAPTER 71. OBSCENITY

SEC. 1463. *Mailing indecent matter on wrappers or envelopes.*—All matter otherwise mailable by law, upon the envelope or outside cover or wrapper of which, and all postal cards upon which, any delineations, epithets, terms, or language of an indecent, lewd, lascivious, or obscene character are written or printed or otherwise impressed or apparent, are nonmailable matter, and shall not be conveyed in the mails nor delivered from any post office nor by any letter carrier, and shall be withdrawn from the mails under such regulations as the Postmaster General shall prescribe.

Whoever knowingly deposits for mailing or delivery, anything declared by this section to be nonmailable matter, or knowingly takes the same from the mails for the purpose of circulating or disposing of or aiding in the circulation or disposition of the same, shall be fined not more than \$5,000 or imprisoned not more than five years, or both.

EXHIBIT No. 9

TITLE 18—UNITED STATES CODE

CHAPTER 83

SEC. 1716. *Injurious articles as nonmailable.*—All kinds of poison, and all articles and compositions containing poison, and all poisonous animals, insects, reptiles, and all explosives, inflammable materials, infernal machines, and mechanical, chemical, or other devices or compositions which may ignite or explode, and all disease germs or scabs, and all other natural or artificial articles, compositions, or material which may kill or injure another, or injure the mails or other property, whether or not sealed as first-class matter, are nonmailable matter and shall not be conveyed in the mails or delivered from any post office or station thereof, nor by any letter carrier.

The Postmaster General may permit the transmission in the mails, under such rules and regulations as he shall prescribe as to preparation and packing, or any such articles which are not outwardly or of their own force dangerous or injurious to life, health, or property.

The transmission in the mails of poisonous drugs and medicines may be limited by the Postmaster General to shipments of such articles from the manufacturer thereof or dealer therein to licensed physicians, surgeons, dentists, pharmacists, druggists, cosmetologists, barbers, and veterinarians, under such rules and regulations as he shall prescribe.

All spirituous, vinous, malted, fermented, or other intoxicating liquors of any kind are nonmailable and shall not be deposited in or carried through the mails.

Whoever knowingly deposits for mailing or delivery, or knowingly causes to be delivered by mail, according to the direction thereon, or at any place at which it is directed to be delivered by the person to whom it is addressed, anything declared nonmailable, by this section, unless in accordance with the rules and regulations authorized to be prescribed by the Postmaster General, shall be fined not more than \$1,000 or imprisoned not more than 2 years, or both.

Whoever knowingly deposits for mailing or delivery, or knowingly causes to be delivered by mail, according to the direction thereon or at any place to which it is directed to be delivered by the person to whom it is addressed, anything declared nonmailable by this section, whether or not transmitted in accordance with the rules and regulations authorized to be prescribed by the Post-

master General, with intent to kill or injure another, or injure the mails or other property, shall be fined not more than \$10,000 or imprisoned not more than 10 years, or both.

SEC. 1717. *Letters and writings as nonmailable; opening letters.*—(a) Every letter, writing, circular, postal card, picture, print, engraving, photograph, newspaper, pamphlet, book, or other publication, matter or thing, in violation of sections 499, 506, 793, 794, 915, 954, 956, 957, 960, 964, 1017, 1542, 1543, 1544 or 2388 of this title or which contains any matter advocating or urging treason, insurrection, or forcible resistance to any law of the United States is nonmailable and shall not be conveyed in the mails or delivered from any post office or by any letter carrier.

(b) Whoever uses or attempts to use the mails or Postal Service of the United States for the transmission of any matter declared by this section to be nonmailable, shall be fined not more than \$5,000 or imprisoned not more than ten years or both.

(c) No person other than a duly authorized employee of the Dead Letter Office, or other person upon a search warrant authorized by Law, shall open any letter not addressed to himself.

SEC. 1718. *Libelous matter on wrappers or envelopes.*—All matter otherwise mailable by law, upon the envelope or outside cover or wrapper of which, or any postal card upon which is written or printed or otherwise impressed or apparent any delineation, epithet, term, or language of libelous, scurrilous, defamatory, or threatening character, or calculated by the terms or manner or style of display and obviously intended to reflect injuriously upon the character or conduct of another, is nonmailable matter, and shall not be conveyed in the mails nor delivered from any post office nor by any letter carrier, and shall be withdrawn from the mails under such regulations as the Postmaster General shall prescribe.

Whoever knowingly deposits for mailing or delivery, anything declared by this section to be nonmailable matter, or knowingly takes the same from the mails for the purpose of circulating or disposing of or aiding in the circulation or disposition of the same, shall be fined not more than \$1,000 or imprisoned not more than one year, or both.

SEC. 1725. *Postage unpaid on deposited mail matter.*—Whoever knowingly and willfully deposits any mailable matter such as statements of accounts, circulars, sale bills, or other like matter, on which no postage has been paid, in any letter box established, approved, or accepted by the Postmaster General for the receipt or delivery of mail matter on any mail route with intent to avoid payment of lawful postage thereon, shall for each such offense be fined not more than \$300.

SEC. 1728. *Weight of mail increased fraudulently.*—Whoever places any matter in the mails during the regular weighing period, for the purpose of increasing the weight of the mail, with intent to cause an increase in the compensation of the railroad mail carrier over whose route such mail may pass, shall be fined not more than \$20,000 or imprisoned not more than five years, or both.

EXHIBIT No. 10

JUNE 23, 1950.

HON. ESTES KEFAUVER,

*Chairman, Senate Special Crime Investigating Committee,
United States Senate.*

DEAR MR. CHAIRMAN: Pursuant to the request made upon me during my testimony before your committee on June 23, the following additional information is furnished:

1. For the fiscal year 1949 out of a total of 150,569 cases investigated by the Post Office Inspection Service 6,332 investigations were made under the classification of "E" cases. This classification includes the mailing of obscene, scurrilous, defamatory, and threatening matter, poisons, narcotics, explosives, intoxicating liquors, and the like. I regret that it is impossible to state from our records exactly how many of these investigations related to obscenity. It is estimated, however, that at least 50 percent of such investigations did relate to obscenity.

2. Prosecution in the matter of the *United States of America v. Charles J. Rich et al* (Criminal No. 17246) and the *United States of America v. Frank Camarrata et al* (Criminal No. 17247), was handled in the office of Mr. William W. Hart, United States attorney for the eastern district of Illinois, East St.

Louis, Ill. These are the cases in which Judge Wham held that the postal lottery statutes (18 U. S. C. 1302) did not cover the bookmaking schemes of the defendants.

3. Regarding the "railroader" lottery, our records show that the case against defendants Martin A. Bowman et al. was prosecuted by Assistant United States Attorney J. J. Holtz before Judge Brewster on August 8, 1939, at Boston, Mass.

Sincerely yours,

C. C. GARNER, *Chief Inspector.*

EXHIBIT No. 11

Case No. 27595-F. Tres Americas sweepstake (promotion of lottery), Managua, Nicaragua; Los Angeles, Calif.

On July 3, 1942, a report was submitted to the United States attorney at San Francisco, Calif., resulting in an indictment being filed charging 61 promoters, distributors, and agents, residing in 16 States, with having used the mails, making interstate shipments by express, and conspiracy, in connection with promotion of a lottery.

Sixty of the defendants were arrested, and 57 entered pleas of guilty. One of the defendants, 75 years of age and ill, was dismissed after having been confined in jail for 1 month, while the remainder were sentenced to pay fines ranging from \$50 to imprisonment up to 2 years. Four of the defendants were not brought before the court and the indictment was dismissed for various reasons.

An estimated \$10,000,000 was filched from the public based upon three scheduled drawings for which 12,000,000 tickets were printed.

Principal defendant, Harry Sampson Marks, New York City.

Closely associated: John Sherman, Max Feinstein, Benjamin Bloom, Henry Schwab, Meyer Miles Marks, Brooklyn, N. Y.; Sam B. Swartzberg, Beverly Hills, Calif.; Thomas A. Hawkins, Los Angeles, Calif.; Henry Manella, Montreal, Canada; Abe Cohen, Washington, D. C.

Case No. 12000-F. Canadian national lottery, Springfield, Mass.

While this lottery was represented to be sponsored in Canada and backed by the Canadian National Railways, it was actually organized, promoted, and run by a man in Springfield, Mass. The lottery was operated in the New England States and in part of the State of New York. Tickets, which were distributed by automobile and express, were bought principally by mill and factory workers and laborers of poorer classes. The tickets sold for \$1 or less. No drawings were ever held, however, prizes not to exceed \$25 were sometimes paid in order to stimulate sales. This lottery was in operation for 5 years and the amount filched from the public is conservatively estimated at \$450,000. The promoter had made his living by the sale of fraudulent sweepstake tickets and the promotion of fraudulent lotteries for at least 15 years. He was arrested, indicted, and convicted on a charge of using the mails in a scheme to defraud, and was sentenced in 1937 to 1 year and 1 day in the penitentiary and was also given a suspended sentence for a like period.

Promoter was only one arrested and convicted: John P. Cooley (ex-convict), Springfield, Mass.

Case No. 3888-F, Boston, Mass.:

Manufacture and sale of fraudulent Montreal Post Graduate Hospital trust fund sweepstakes tickets, promoted from January 1, 1935, to about July 10, 1935, by a group of underlords from New York, New Jersey, Massachusetts, and Canada. Arrangements were made to have the sweepstakes ticket sponsored by a physician held in disrepute by the Montreal medical profession. Both the hospital and the trust fund were nonexistent.

More than \$2,000,000 in lottery tickets sold at \$1 each were printed in the United States and distributed by mail and express to agents and subagents. There were no drawings or prizes and the proposition was a fraud in its entirety. On pleas of guilty, 23 of the defendants received average sentences of a year

and a day. The doctor who acted as sponsor could not be extradited from Canada and was not prosecuted.

Dr. Joseph N. Chaussee, disreputable doctor: Paul J. Berney, Harry Sherman, Daniel Lathrop, among the principal promoters.

Case No. 60869-F. Spot Commission Co. (Charley Gordon, operator), Shreveport, La.

Bookmaking scheme specializing in bets on football games, but also dealing with basketball, baseball, and racing. Gordon mailed customer's weekly lists of games to be played, betting odds, line sheets, etc., solicited bets, and accepted them through the mails or by telephone or telegraph. After games were played, he mailed checks or statements of account. During the football season he handled from \$20,000 to \$50,000 per week. During the investigation in 1948, Inspector Pinson estimated Gordon had netted \$55,000 from the scheme.

When arrested for violation of postal lottery statutes, Gordon waived indictment, pleaded guilty, and was fined \$1,000 on each count. He has apparently discontinued the scheme. It was the informal opinion of the judge, United States attorney, and the Solicitor for the Post Office Department that the mailing of such material by Gordon constituted violation of the postal fraud statutes.

EXHIBIT No. 12

TABLE 2.—All sentenced Federal prisoners received from the courts, by offense, fiscal years ended June 30, 1937-49

Offense	1937	1938	1939	1940	1941	1942	1943	1944	1945	1946	1947	1948	1949
Total	24,202	23,597	24,750	23,003	21,706	20,027	16,630	19,216	21,200	20,112	19,626	16,787	16,733
Counterfeiting and forgery	1,486	1,710	1,965	1,589	1,289	824	522	536	673	891	1,083	1,018	1,204
Embezzlement and fraud	510	704	809	750	796	733	473	452	340	350	396	531	582
Immigration	2,802	2,844	2,541	2,270	1,695	1,428	1,406	2,674	3,996	3,629	3,989	3,200	3,526
Juvenile Delinquency Act	44	41	32	216	428	478	488	834	911	1,221	870	677	607
Kidnaping	12,238	10,520	11,362	10,735	10,123	8,155	3,502	2,635	2,988	2,425	1,996	1,838	2,035
Liquor laws	120	155	167	157	161	170	74	67	51	69	50	141	90
National Bank and Federal Reserve Act	1,866	2,332	2,610	2,250	1,596	1,522	1,241	1,306	1,134	1,261	1,447	1,443	1,503
Narcotic-drug laws	1,312	1,563	1,588	1,512	1,498	1,623	1,150	1,079	1,072	1,907	2,740	2,612	2,471
National Motor Vehicle Theft Act	308	358	354	313	342	178	216	352	475	448	524	430	378
Theft from interstate commerce	370	447	396	378	357	359	376	255	209	157	183	221	160
White Slave Traffic Act	1,033	994	999	1,021	1,139	1,112	933	991	986	873	974	1,069	1,054
Government reservation; District of Columbia, high seas, Territorial cases	2,083	1,859	1,895	1,719	1,772	1,419	1,370	1,392	1,757	1,965	1,807	1,898	2,012
Other	30	70	32	56	479	2,061	4,777	6,602	6,588	4,805	3,475	1,673	1,088
National security offenses					228	1,049	3,145	3,930	2,613	1,446	833	236	74
Selective Service Act of 1948													
Other national-defense and security laws													
Military court-martial cases:													
Army	30	70	32	45	100	261	511	954	1,793	2,176	2,014	851	592
Navy								8	32	40	50	267	88

1 Commitments under national-defense and security laws in effect prior to 1940 not classified separately. For these offenses in 1949 see table 9.

EXHIBIT No. 13

PERCENTAGE OF REPEATERS
 AMONG PRISONERS COMMITTED TO FEDERAL INSTITUTIONS
 UNDER SENTENCE OF MORE THAN 1 YEAR FOR SELECTED OFFENSES,
 FISCAL YEAR ENDED JUNE 30, 1949.

(DATA FROM TABLE 20)

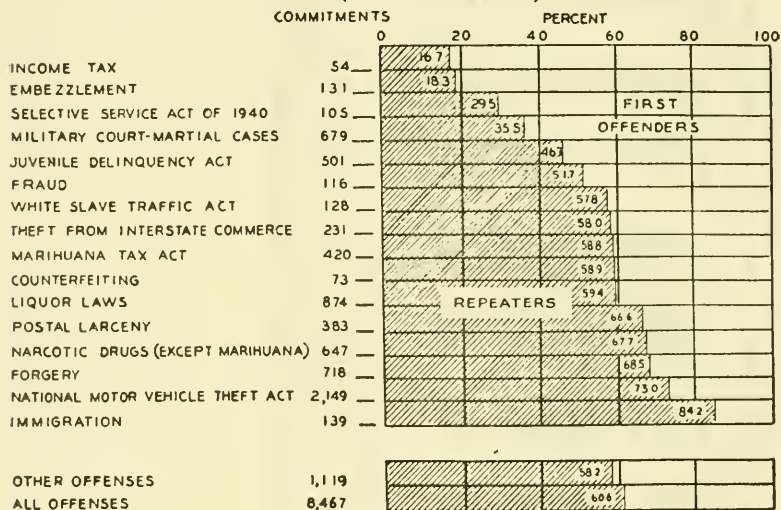


EXHIBIT No. 14

TABLE 22.—Average sentences by offense and judicial circuit and district, of Federal prisoners received from the courts, fiscal year ended June 30, 1949¹

[Average sentences in months]

Judicial circuit and district	All offenses		Forgery		Immigration laws		Larceny, theft ²		Liquor laws		Narcotic drug laws		Other offenses	
	Com-mit-ments	Average sen-tence	Com-mit-ments	Average sen-tence	Com-mit-ments	Average sen-tence	Motor vehicle	Com-mit-ments	Average sen-tence	Com-mit-ments	Average sen-tence	Com-mit-ments	Average sen-tence	Other offenses
Total commitments and average sentences.....	16,483	19.0	1,117	18.0	3,524	3.5	2,468	25.5	1,435	16.5	2,014	9.7	1,499	4,426
Federal institutions.....	12,554	23.2	938	19.7	1,794	5.5	2,320	25.7	1,104	19.4	1,743	10.7	1,308	3,347
From civil courts.....	11,874	20.3	938	19.7	1,794	5.5	2,320	25.7	1,104	19.4	1,743	10.7	1,308	2,607
From Army.....	593	75.7											593	75.7
From Navy.....	87	71.1												87
Non-Federal institutions ³	3,929	5.4	179	9.1	1,730	1.3	148	21.8	331	6.9	271	3.8	191	1,079
Military, total.....	680	75.2												680
Territories, total.....	724	14.6	15	31.5	1	.2			37	19.4	4	1.8	19	648
Alaska.....	557	11.4			1	.2			2	7.5	4	1.8		550
Hawaii.....	35	15.3	6	12.2					5	14.4			2	22
Puerto Rico.....	132	27.7	9	44.3					30	21.0			17	39.0
District of Columbia, total ⁴	258	62.6	23	22.4			16	27.9	21	28.0			32	35.7
States, total.....	14,821	15.9	1,079	17.7	3,523	3.5	2,425	25.5	1,377	16.2	2,010	9.8	1,448	2,932
First circuit, total.....	142	10.2	27	8.8	19	3.8	26	12.4	18	20.7			16	36
Maine.....	34	10.4	1	6.0	18	3.9	6	18.5	2	24.0				7
Massachusetts.....	82	8.6	21	9.2	1	2.0	11	12.7	9	9.6			16	24
New Hampshire.....														
Rhode Island.....	26	14.6	5	7.6			9	7.9	7	34.0				5

See footnotes at end of table.

TABLE 22.—Average sentences by offense and judicial circuit and district, of Federal prisoners received from the courts, fiscal year ended June 30, 1949 1—Continued

[Average sentences in months]

Judicial circuit and district	All offenses		Forgery		Immigration laws		Larceny, theft ²		Liquor laws		Narcotic drug laws		Other offenses	
	Com-mit-ments	Average sen-tence	Com-mit-ments	Average sen-tence	Com-mit-ments	Average sen-tence	Motor vehicle		Com-mit-ments	Average sen-tence	Com-mit-ments	Average sen-tence	Com-mit-ments	Average sen-tence
							Com-mit-ments	Average sen-tence						
States—Continued														
Second circuit, total	948	13.5	96	14.3	115	5.9	48	16.8	188	14.2	41	6.4	217	17.7
Connecticut	43	12.7	6	5.7			4	16.0	3	17.3	2	12.0	10	21.2
New York:														
Northern	80	6.3	4	16.5	52	4.3	5	14.4	6	5.2			3	18.0
Eastern	196	12.2	25	14.4	4	4.8	12	12.0	47	11.3		5.6	18	15.6
Southern	518	15.5	55	15.4	14	6.9	12	21.5	122	15.6	10	8.1	183	17.7
Western	82	13.3	6	11.7	24	11.5	19	16.6	9	13.2	3	4.3	3	17.3
Vermont	29	6.1			21	3.3	4	12.0	1	33.0			3	8.0
Third circuit, total	446	14.9	66	14.1	2	4.5	81	17.5	101	15.7	30	8.1	43	13.5
Delaware	16	12.5	2	12.0			4	12.3	2	8.5			2	6.0
New Jersey	115	22.7	23	12.1			8	18.0	25	32.5	10	15.8	23	11.9
Pennsylvania:														
Eastern	169	8.0	21	9.2	2	4.5	20	14.6	37	8.4	14	2.5	6	13.5
Middle	28	26.5	2	48.0			12	28.3	4	24.0	2	15.0		6.3
Western	118	14.6	18	18.7			37	15.9	33	16.7	4	5.3	12	17.9
Fourth circuit, total	1,485	19.8	89	15.5	3	10.7	297	24.2	117	19.1	627	11.1	42	21.9
Maryland	158	25.0	20	14.6	2	13.0	21	19.3	33	25.0	25	7.1	5	22.8
North Carolina:														
Eastern	243	25.0	11	9.6			36	18.1	3	16.7	143	10.5	9	20.0
Middle	181	20.3	6	15.5			18	25.5	16	12.8	116	7.9	5	19.5
Western	189	14.8	10	15.3			47	20.1	16	15.6	83	7.9	5	21.6
South Carolina:														
Eastern	189	16.7	12	10.1			39	24.9	16	10.5	69	14.8	6	20.7
Western	108	17.9	4	24.0			35	29.1	5	13.2	48	8.9	3	40.0
Virginia:														
Eastern	163	15.1	10	10.2	1	2.0	29	23.8	14	16.1	44	15.6	2	18.0
Western	152	14.1	6	22.5			33	22.8	8	18.0	86	9.6	4	24.0
West Virginia:														
Northern	36	37.9	2	35.0			15	32.3	2	12.0	2	23.0	2	12.0
Southern	66	23.7	8	20.0			24	33.3	12	23.8	11	15.3		15.3

Fifth circuit, total	4,357	12.3	255	15.3	1,637	3.5	556	25.6	224	14.6	536	10.3	484	17.4	665	18.8
Alabama:																
Northern.....	254	15.8	21	14.2			61	26.8	13	17.4	103	9.2	7	22.7	49	15.2
Middle.....	85	19.1	9	18.1			15	24.5	5	11.4	25	11.4	4	18.8	27	24.0
Southern.....	68	11.0	5	16.2	1	2.0	10	21.0	6	13.3	16	5.2	3	8.3	27	10.0
Florida:																
Northern.....	94	20.5	6	16.5			26	30.5	2	8.0	35	10.6	1	18.0	24	26.4
Southern.....	263	19.2	19	20.5	22	11.6	51	25.5	26	20.3	45	9.3	11	22.2	89	21.4
Georgia:																
Northern.....	213	18.5	18	15.6			67	23.8	12	14.0	69	10.1	12	28.5	35	26.3
Middle.....	195	15.3	13	12.3	1	12.0	33	21.0	6	13.8	106	11.1	5	18.0	31	24.7
Southern.....	159	17.8	7	16.0			46	21.7	6	23.0	76	14.3	1	24.0	23	20.9
Louisiana:																
Eastern.....	231	18.5	25	20.6	4	9.0	33	24.5	13	15.5	1	4.0	69	24.2	86	12.1
Western.....	92	25.2	7	21.9			29	32.0	13	38.3	7	13.6	4	12.0	32	18.7
Mississippi:																
Northern.....	83	11.9	7	3.0			29	30.1	11	8.8	27	6.6			9	12.3
Southern.....	83	25.4	7	8.3			38	32.5	13	3.1	2	9.0	9	15.3	14	42.2
Texas:																
Northern.....	209	23.9	35	18.1	1	4.0	48	34.6	35	17.8	1	15.0	39	18.4	50	26.7
Eastern.....	65	14.2	13	9.2			16	25.5	8	12.0	6	11.0	2	13.5	20	10.5
Southern.....	872	5.3	12	3.6	563	.9	20	18.9	20	7.0	6	1.8	189	15.1	62	12.1
Western.....	1,391	7.3	51	15.4	1,045	4.7	34	19.3	35	7.5	11	4.2	128	15.3	87	17.5
Sixth circuit, total	1,999	21.9	147	17.1	17	13.0	495	25.4	282	17.0	491	9.3	211	20.3	365	41.7
Kentucky:																
Eastern.....	354	18.8	5	10.2			74	24.9	10	18.0	191	4.6	14	24.9	60	55.9
Western.....	230	24.2	17	29.3			61	30.4	35	15.6	60	9.4	10	38.5	47	36.5
Michigan:																
Eastern.....	261	23.2	34	19.3	17	13.0	41	19.2	63	17.7	6	14.3	53	23.6	47	41.3
Western.....	45	20.3	6	17.5			21	21.1			3	12.0	6	23.0	9	21.0
Ohio:																
Northern.....	306	18.9	34	11.8			63	17.6	69	17.2	5	5.6	56	16.6	79	26.8
Southern.....	279	26.4	25	12.7			71	27.6	67	15.6	14	17.9	62	18.0	40	67.1
Tennessee:																
Eastern.....	282	19.0	9	24.3			76	23.9	16	24.6	148	15.2	6	13.0	27	22.4
Middle.....	111	21.2	7	17.9			41	24.6	3	12.0	45	8.4	2	9.5	13	60.2
Western.....	131	28.8	10	14.8			47	37.5	19	15.1	19	4.6	2	9.0	34	43.2
Seventh circuit, total	797	23.0	95	15.3	1	6.0	242	31.1	166	13.4	20	9.7	80	13.3	193	30.2
Illinois:																
Northern.....	338	13.8	53	12.4			32	18.9	117	11.7	8	10.3	61	12.1	67	18.0
Eastern.....	80	21.6	10	17.7			35	23.2	11	14.9	2	7.5	4	16.5	18	27.4
Southern.....	59	26.4	6	7.0			19	32.3	3	33.3	2	9.0	2	8.0	27	28.5
Indiana:																
Northern.....	86	41.6	9	26.7			41	34.0	5	19.2	2	21.0	4	18.0	25	69.4
Southern.....	137	32.8	10	22.5			87	38.4	16	22.1			7	18.7	17	26.4
Wisconsin:																
Eastern.....	62	23.3	4	11.0	1	6.0	18	25.7	10	10.4	4	7.0	2	20.0	23	33.1
Western.....	35	23.9	3	24.0			10	28.8	4	10.5	2	4.5			16	23.6

See footnotes at end of table.

EXHIBIT No. 14—Continued

TABLE 22.—Average sentences by offense and judicial circuit and district, of Federal prisoners received from the courts, fiscal year ended June 30, 1949 1—Continued

[Average sentences in months]

Judicial circuit and district	All offenses		Forgery		Immigration laws	Larceny, theft ²				Liquor laws		Narcotic drug laws		Other offenses	
	Com-mit-ments	Average sen-tence	Com-mit-ments	Average sen-tence	Com-mit-ments	Average sen-tence	Motor vehicle	Com-mit-ments	Average sen-tence	Com-mit-ments	Average sen-tence	Com-mit-ments	Average sen-tence	Com-mit-ments	Average sen-tence
States—Continued	791	23.9	111	25.7	18	2.5	232	28.6	107	17.7	39	10.7	50	20.1	25.9
Eighth circuit, total.....															
Arkansas:															
Eastern.....	72	27.7	4	15.5			30	30.9	3	29.3	4	18.0	7	21.0	29.1
Western.....	68	27.7	5	32.4			20	27.4	4	28.5	11	24.2	1	48.0	27.6
Iowa:															
Northern.....	45	32.3	3	28.0			11	32.8	5	36.0	5	7.6		21	37.7
Southern.....	38	21.2	3	22.0			10	29.4	3	17.3				22	17.8
Minnesota:	71	24.4	5	22.8	7	3.1	18	30.6	8	22.6			6	14.0	28.9
Eastern.....	160	18.1	32	22.6			31	20.2	52	13.9			15	13.3	20.7
Western.....	206	27.0	45	29.1			73	30.8	22	21.4	3		19	25.9	23.7
Nebraska:	47	16.0	8	14.6			22	21.9	8	4.4	2	3.5	1	24.0	14.7
North Dakota:	42	13.7	1	18.0	11	2.1	8	26.3			8	2.1	1	10.0	22.9
South Dakota:	42	23.5	5	40.8			9	42.7	2	24.0	6	1.5		20	29.7
Ninth circuit, total.....	2,701	12.8	135	23.5	1,327	3.3	253	24.9	117	20.4	85	5.1	230	22.9	22.8
Arizona.....		9.6		21.8		2.8	65	28.1	11	16.4	26	6.0	38	21.2	13.1
California:	531		11		300									80	
Northern.....		21.4	40	18.5	36	11.1	32	29.8	34	24.3	1	3.0	49	21.1	22.7
Southern.....	1,317	8.9	37	24.8	947	3.0	44	21.3	32	26.2	2	1.0	62	30.7	193
Idaho.....	35	21.9					14	20.8					3	36.0	20.5
Montana.....	90	21.1	2	18.0	3	10.0	14	21.1	1	36.0	37	4.2		33	40.9
Nevada.....	86	22.0	2	9.0			34	23.9	10	16.4	1		4	12.0	24.3
Oregon.....	82	24.4	15	32.9			25	23.8	2	7.5	5	6.6	16	26.4	19
Washington:															
Eastern.....	63	18.7	5	24.0	1	18.0	10	24.6	8	17.6	7	6.6	14	13.4	23.1
Western.....	199	18.7	23	26.5	40	7.8	15	23.0	19	9.9	6	5.5	44	17.3	28.5

Tenth circuit, total.....	1, 155	13. 6	58	22. 5	384	2. 5	222	24. 5	57	16. 5	141	7. 0	75	17. 5	218	22. 1
Colorado.....	203	17. 6	23	14. 7	1	6. 0	57	22. 8	18	18. 3	2	6. 0	32	19. 2	70	13. 8
Kansas.....	96	19. 4	5	30. 6	---	---	26	25. 4	6	13. 2	17	9. 3	9	13. 7	33	20. 2
New Mexico.....	487	6. 1	4	27. 8	383	2. 5	46	25. 1	9	10. 0	17	4. 4	7	11. 6	21	24. 8
Oklahoma.....																
Northern.....	59	24. 1	3	52. 0	---	---	11	24. 5	4	30. 0	20	6. 9	6	17. 3	15	42. 4
Eastern.....	73	19. 4	7	30. 3	---	---	16	35. 3	2	15. 0	33	7. 1	3	10. 7	12	29. 0
Western.....	96	21. 0	8	22. 0	---	---	17	21. 9	5	16. 8	35	7. 7	16	20. 9	15	51. 9
Utah.....	61	16. 2	4	21. 0	---	---	24	17. 1	12	13. 3	2	9. 0	2	12. 0	17	15. 9
Wyoming.....	80	18. 6	4	18. 3	---	---	25	27. 2	1	24. 0	13	5. 7	---	---	35	17. 9

¹ This table does not include 64 prisoners committed for nonpayment of fine, and 186 juveniles with minority sentences. Life sentences were counted as 45 years in computing averages.

² For offenses included, see table 9.

³ Includes sentenced prisoners awaiting removal to Federal institutions at the end of the fiscal year.

⁴ 68 were violators of Federal laws committed to District of Columbia institutions; 51 were violators of Federal laws committed to Federal institutions; and 139 were violators of District of Columbia laws committed to Federal institutions. Besides the 258 District of Columbia commitments shown, 90 of the 186 juveniles with minority sentences excluded from the table (footnote 1) were committed by the District of Columbia juvenile court to the National Training School for Boys.

EXHIBIT No. 15

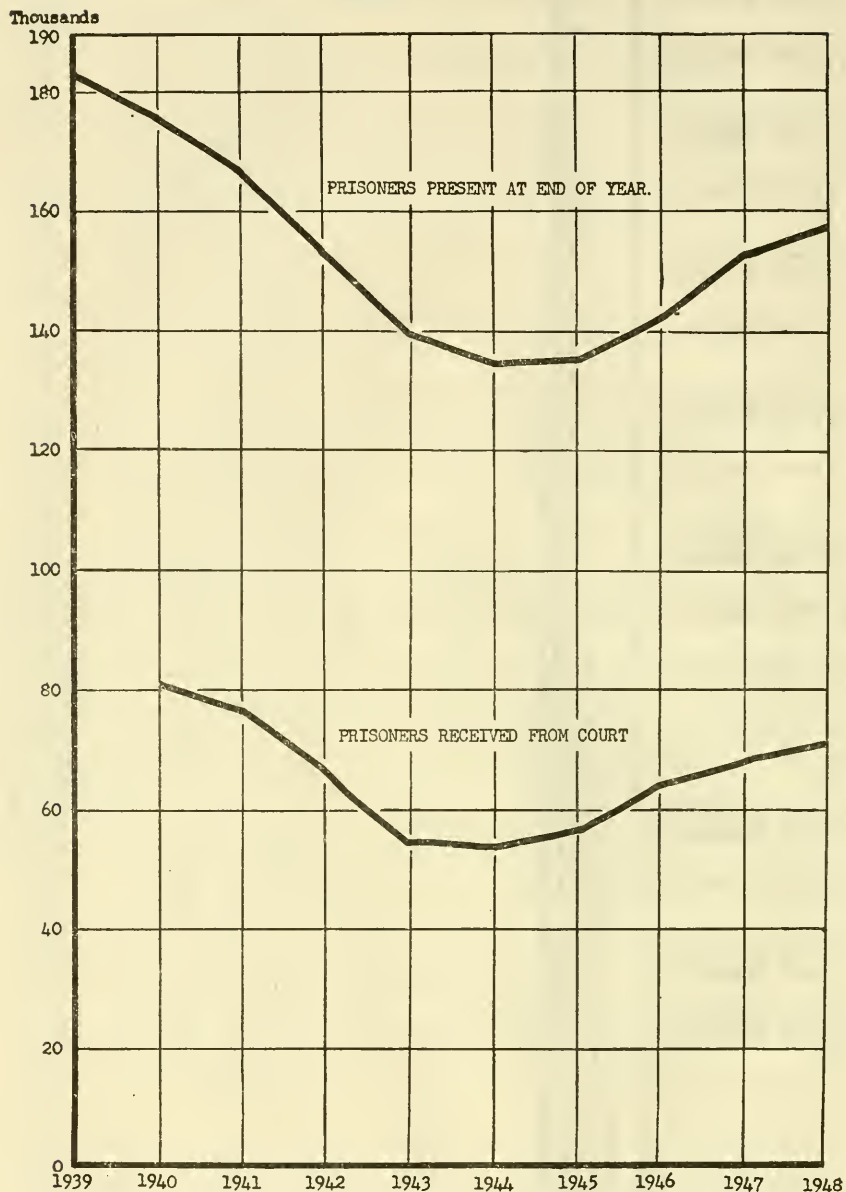


CHART 1.—Prisoners in State and Federal prisons and reformatories, for the United States, 1939-48

PRISONERS IN STATE AND FEDERAL PRISONS AND REFORMATORIES

MOVEMENT OF PRISONERS IN STATE AND FEDERAL PRISONS AND REFORMATORIES: 1948
(PRELIMINARY DATA, SUBJECT TO REVISION)

At the end of 1948 there were 157,470 prisoners in State and Federal prisons and reformatories, according to figures released today by James V. Bennett, Director, Bureau of Prisons, Department of Justice. This represents an increase of 4,906 prisoners, or 3.2 percent, over the 152,564 prisoners confined in these institutions at the end of 1947.

In connection with his release of the accompanying chart and three statistical tables dealing with State and Federal prisoners, Mr. Bennett commented as follows:

The 9 years from the beginning of 1940 through 1948 have witnessed wide changes both in the volume of commitments to State and Federal prisons and reformatories and in the number of prisoners confined in these institutions. These changes, which may be noted in chart 1 and table 1, seem for the most part to have been caused indirectly by this Nation's participation in World War II.

At the end of 1939, almost 2 years before Pearl Harbor, the population of State and Federal penal and correctional institutions stood at 182,641. During the succeeding 5 years, the prisoner population declined steadily to a low point for the 9-year period of 134,236. This figure, reached at the end of 1944, represented a decrease of 48,405, or 26.5 percent.

Several factors contributed to the decline. Stepped-up defense preparations began in 1940 and meant improved economic conditions and thus better job opportunities for those who might otherwise have become first offenders as well as for the thousands of persons released from prisons and reformatories. Contributing also was the shift of approximately 11,000,000 persons from the civilian population to the armed forces. Most of these were young adults and thus in the age group most likely to violate laws.

The figures presented do not, of course, include persons committed to the correctional institutions operated by the armed services. Thus the war period was an abnormal one with respect to the factors which determine the size of the regular prison population.

The increase in prisoners after 1945, as military personnel returned to civilian life, seems to have constituted merely a readjustment to a more normal situation. It is to be noted that table 1 shows that the 157,470 prisoners present December 31, 1948, was 25,171 less than the 182,641 confined in State and Federal prisons and reformatories at the end of 1939. This decrease of 13.8 percent is significant when it is considered that from December 31, 1939, to December 31, 1948, the civilian population of the country is estimated to have increased by more than 10 percent.

In table 2 movement of population figures for 1948 are shown by sex for State and Federal prisons and reformatories. Table 3 presents by individual States the total figures for State institutions shown in table 2.

Data for the three tables were furnished by the Bureau of the Census and were compiled from figures submitted by the cooperating prisons and reformatories.

TABLE 1.—*Prisoners present at end of year and prisoners received from court, by type of institution, for the United States, 1939-48*

[Includes estimates for certain State institutions]

Year	Prisoners present at end of year			Prisoners received from court		
	All institutions	Federal institutions	State institutions	All institutions	Federal institutions	State institutions
	Total					
1948.....	157,470	16,307	141,163	70,479	12,084	58,395
1947.....	152,564	17,146	135,418	68,281	12,948	55,333
1946.....	141,404	17,622	123,782	64,044	14,950	49,094
1945.....	134,802	18,638	116,164	56,444	17,171	42,273
1944.....	134,236	18,139	116,097	53,984	14,047	39,937
1943.....	138,710	16,113	122,597	54,236	12,203	42,033
1942.....	152,967	16,623	136,344	66,329	13,725	52,604
1941.....	166,939	18,465	148,474	77,219	15,350	61,869
1940.....	175,572	19,260	156,312	81,193	15,109	66,084
1939.....	182,641	19,730	162,911	(1)	(1)	(1)
	Rate per 100,000 of the estimated civilian population					
1948.....	108.4	11.2	97.2	48.5	8.3	40.2
1947.....	106.9	12.0	94.9	47.9	9.1	38.8
1946.....	102.2	12.7	89.4	46.3	10.8	35.5
1945.....	105.8	14.6	91.1	44.3	11.1	33.2
1944.....	106.1	14.3	91.8	42.7	11.1	31.6
1943.....	108.9	12.6	96.2	42.6	9.6	33.0
1942.....	116.9	12.7	104.2	50.7	10.5	40.2
1941.....	126.9	14.0	112.9	58.7	11.7	47.0
1940.....	133.4	14.6	118.7	61.7	11.5	50.2
1939.....	139.5	15.1	124.5	(1)	(1)	(1)

¹ Comparable data not available.

EXHIBIT No. 16

Federal prisoners received from the courts for violation of income tax laws, fiscal years ended June 30, 1944-50

1944-----	20	1949-----	146
1945-----	15	1950-----	164
1946-----	51		
1947-----	43	Total-----	542
1948-----	103		

EXHIBIT No. 17

CHAPTER 586—H. F. NO. 698

[Coded as Sections 325.53 to 325.62]

An act relating to licenses for the carrying on of any business, trade, vocation, or commercial enterprise, and providing for revocation of license by reason of the operation of gambling devices

Be it enacted by the Legislature of the State of Minnesota:

[325.53] Definitions. Section 1. Subdivision 1. Words, terms, and phrases. For the purposes of this act, unless a different meaning is indicated by the context, the words, terms, and phrases defined in this section shall have the meanings given them.

Subd. 2. Gambling devices. "Gambling devices" mean slot machines, roulette wheels, punchboards, number pars, and pinball machines which return coins or slugs, chips, or tokens of any kind, which are redeemable in merchandise or cash.

Subd. 3. Person. "Person" means an individual, a copartnership, an association, a corporation, or any other entity or organization.

Subd. 4. Municipality. "Municipality" means any county, city, village, borough, or town.

Subd. 5. License. "License" includes permits of every kind, nature, and description issued pursuant to any statute or ordinance for the carrying on of any business, trade, vocation, commercial enterprise, or undertaking.

Subd. 6. Licensee. "Licensee" means any person to whom a license of any kind is issued, but does not include a common carrier transporting, or a public warehouseman storing, any gambling device for hire, or a manufacturer or distributor of such devices keeping the same only for the purpose of sale or distribution to others or repairing of same.

Subd. 7. Licensed business. "Licensed business" means any business, trade, vocation, commercial enterprise, or undertaking for which a license is issued.

Subd. 8. Licensed premises. "Licensed premises" means the place or building, or the room in a building, designated in the license as the place where the licensed business is to be carried on, and all land adjacent thereto and used in connection with and in the operation of a licensed business, and all adjacent or contiguous rooms or buildings operated or used in connection with the buildings where the licensed business is carried on. If no place is described in any license, then "licensed premises" means the building or place where the licensed business is carried on under such license.

Subd. 9. Issuing authority and authority issuing the license. "Issuing authority" and "authority issuing the license" mean and include the officer, board, bureau, department, commission, or agency of the state, or of any of its municipalities, by whom any license is issued and include the councils and governing bodies of all municipalities.

[325.54] Gambling Device; possession of. Sec. 2. Subdivision 1. Intentional possession; wilful keeping. The intentional possession or wilful keeping of a gambling device upon any licensed premises is cause for revocation of any license under which the licensed business is carried on upon the premises where the gambling device is found.

Subd. 2. Revocation of licenses. All licenses under which any licensed business is permitted to be carried on upon the licensed premises shall be revoked if the intentional possession or wilful keeping of any such gambling devices upon the licensed premises is established, notwithstanding that it may not be made to appear that such devices have actually been used or operated for the purpose of gambling.

[325.55] Issuing authority to revoke. Sec. 3. The proceedings for revocation shall be had before the issuing authority, which have power to revoke the license or licenses involved, as hereinafter provided.

[325.56] Peace officers to observe and inspect premises. Sec. 4. Every sheriff, deputy sheriff, constable, marshal, policeman, police officer, and peace officer shall observe and inspect the premises where occupations are carried on under license and ascertain whether gambling devices are present thereon and immediately report the finding thereof to the authority or authorities issuing the license or licenses applicable to the premises in question.

[325.57] Proceedings before issuing authority; order to show cause. Sec. 5. Upon the receipt of such information from any of the peace officers referred to in section 4, if any issuing authority is of the opinion that cause exists for the revocation of any such license, then that authority shall issue an order to show cause directed to the licensee of the premises, stating the ground upon which the proceeding is based and requiring him to appear and show cause at a time and place, within the county in which the licensed premises are located, not less than ten days after the date of the order, why his license should not be revoked. That order to show cause shall be served upon the licensee in the manner prescribed by law for the service of summons in a civil action, or by registered mail, not less than eight days before the date fixed for the hearing thereof. A copy of the order shall forthwith be mailed to the owner of the premises, as shown by the records in the office of the register of deeds, at his last known postoffice address. A copy of the order shall at the same time be mailed to any other issuing authority, of which the authority issuing the order to show cause has knowledge, by which other licensee [licenses] to that licensee may have been issued, and any such other authority may participate in the revocation proceedings after notifying the licenses [licensee] and the officer or authority holding the hearing of its intention so to do on or before the date of hearing, and after the hearing take such action as it could have taken had it instituted the revocation proceedings in the first instance.

[325.58] Revocation of license. Sec. 6. Subdivision 1. Revocation; stay; appeal. If, upon the hearing of the order to show cause, it appears that the licensee intentionally possessed or wilfully kept upon his licensed premises any gambling device, then the license or licenses under which the licensed business is operated on the licensed premises, shall be revoked. The order of revocation shall not be enforced during the period allowed by section 10 for taking an appeal.

Subd. 2. Limitation as to issuance of new license on premises. No new license or licenses for the same business upon the same premises shall be issued for the period of one year thereafter, except as hereinafter provided.

[325.59] Duties of county attorney. Sec. 7. The county attorney of the county in which the hearing is held shall attend the hearing, interrogate the witnesses, and advise the issuing authority. He shall also appear for the issuing authority on any appeal taken pursuant to the provisions of section 10.

[325.60] Witnesses. Sec. 8. The issuing authority may issue subpoenas and compel the attendance of witnesses at any hearing. Witnesses duly subpoenaed and attending any such hearing shall be paid fees and mileage by the issuing authority equal to the fees and mileage paid witnesses in the district court.

[325.61] Property owners liability. Sec. 9. When a license is revoked under the provisions of this act, the owner of the premises upon which any licensed business has been operated shall not be penalized by reason thereof unless it is established that he had knowledge of the existence of the gambling devices resulting in license revocation.

[325.62] Appeal to district court; stay; continuance under bond; hearing upon one year limitation on premises. Sec. 10. Any licensee, or any owner of licensed premises, aggrieved by an order of an issuing authority revoking any license may appeal from that order to the district court of the county in which the licensee resides by serving a notice of his appeal upon the issuing authority or the clerk thereof. The notice of appeal shall state that the person appealing takes an appeal to that district court from the order revoking the license or licenses, describing them and identifying the order appealed from. This notice shall be served within 15 days from the date of service of the order appealed from, and the same, with proof of service thereof, shall be filed with the clerk of the district court of the proper county. The appeal shall stand for trial at the next term of the district court following the filing of the notice of appeal, without the service of any notice of trial, and shall be tried in the district court de novo. The trial shall be by jury if the appellant shall so demand. The licensee may continue to operate the licensed business or businesses until the final dis-

position of such appeal. If the district court upon the appeal shall determine that any license involved in the appeal should be revoked, it may, nevertheless, in its discretion permit the continuance of the licensed business under a bond in the amount and in the form and containing the conditions prescribed by the court. The district court on the appeal, or in a separate proceeding, may permit the issuance of a new license to a different licensee before the expiration of the period of one year specified in subdivision 2 of section 6, upon such terms and conditions imposed by the court as will insure that no gambling device shall thereafter be maintained upon the licensed premises.

Approved April 26, 1947.

EXHIBIT No. 18

BEFORE THE FEDERAL COMMUNICATIONS COMMISSION, WASHINGTON, D. C.

In the Matter of the Petition of the Public Utilities Commission of the State of California for an order of the above-entitled Commission instituting on its own motion an investigation into the use being made of communications facilities and instrumentalities in interstate and foreign commerce, for the purpose of determining if such use, in any instance, is in violation of law or is aiding or abetting, directly or indirectly, a violation of law or is not in the public interest

Your petitioner, the Public Utilities Commission of the State of California, for grounds of this petition, alleges as follows:

I

That your petitioner is a public agency of the State of California created by the provisions of article XII of the constitution of said State and is invested by said constitution and statutes enacted pursuant thereto with exclusive jurisdiction over public utilities and is authorized by law to file this petition.

II

That, on the 17th day of December 1947, your petitioner, on its own motion, issued its order instituting an investigation into the use being made of communications facilities and instrumentalities for the purpose of determining if such use, in any instance, was in violation of law or was aiding or abetting, directly or indirectly, a violation of law or was not in the public interest, a copy of said order of investigation being annexed to this petition, marked "Exhibit A," and by reference made a part hereof. That said investigation was conducted throughout the State and public hearings were held at several places therein. That, pursuant to said investigation, your petitioner, on the 6th day of April 1948, issued its decision (No. 41415), a copy of said decision being annexed to this petition, marked "Exhibit B" and by reference made a part hereof. That said decision is final and is now, and since April 26, 1948, has been, in full force and effect.

III

That the above-entitled Commission has exclusive jurisdiction over interstate and foreign communications service, facilities, and instrumentalities and the several States are excluded from exercising jurisdiction thereover. That, as shown by said decision issued by your petitioner, an interstate telegraph wire operated by the Western Union Telegraph Co. is leased by the Continental Press Service and said wire is used by the latter to transmit up-to-the-minute information concerning sporting events, including horse races, to many persons throughout the United States and foreign countries, who, in turn, use said information in conducting the activity of "bookmaking," in violation of the laws of many of the States denouncing bookmaking as a public offense. That such situation exists in the State of California.

IV

That the information transmitted over said leased wire creates the opportunity for successful bookmaking, sustains and nourishes that unlawful activity, and renders it practically impossible for the several States to enforce their laws prohibiting bookmaking. It is the opinion of your petitioner that, so long as the

interstate and foreign field of communications remains without a mandatory prohibition against the use of interstate and foreign communications service, facilities, and instrumentalities by wholesalers of information to bookmakers, so long with the several States be rendered practically impotent to enforce their laws prohibiting bookmaking. That the absence of a mandatory rule or regulation prohibiting the use of interstate and foreign communications service, facilities, and instrumentalities for the purpose of transmitting such information to bookmakers renders practically unenforceable the decision of your petitioner, heretofore referred to.

V

In the opinion of your petitioner, the above-entitled Commission, as the appropriate arm of the Federal Government, is the only public agency possessing adequate authority to deal properly and effectively with the subject of dissemination of such information by interstate and foreign communications utilities, which information is, in turn, used by bookmakers to violate the law of the several States prohibiting bookmaking. That, in the opinion of your petitioner, it would be in the public interest for the above-entitled Commission to institute on its own motion an investigation into the use to which interstate and foreign communications service, facilities, and instrumentalities are being put to ascertain if said service, facilities, and instrumentalities are being used to violate or to aid or abet, directly or indirectly, the violation of any State law and, if such condition be found to exist, to prescribe an appropriate rule or regulation designed to abate such unlawful use.

WHEREFORE your petitioner prays that the above-entitled Commission institute, on its own motion, an investigation for the purpose specified in this petition with a view to finding the facts as they exist and, if the facts as found so justify, the said Commission prescribe a proper rule or regulation in the public interest.

Dated October 4, 1948.

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA,
By R. E. MITTELSTAEDT, *President*.

EVERETT C. McKEAGE,
RODERICK B. CASSIDY,
HAL F. WIGGIN;
BORIS H. LAKUSTA
J. THOMASON PHELPS,
Attorneys for Petitioner.

STATE OF CALIFORNIA,
City and County of San Francisco, ss:

R. E. Mittelstaedt, being first duly sworn, deposes and says that he is the duly appointed, qualified, and acting president of the Public Utilities Commission of the State of California; that he is authorized to and does hereby make this verification on behalf of the petitioner herein; that he has read the foregoing petition and knows the contents thereof; and that the same is true of his own knowledge except as to matter therein stated on information or belief of petitioner and as to such matter that he believes it to be true.

R. E. MITTELSTAEDT.

Subscribed and sworn to before me this 4th day of October 1948.

R. J. PAJALICH,
Secretary of the Public Utilities Commission of the State of California.

Exhibit A

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Investigation on the Commission's own motion into the use being made of communications facilities and instrumentalities for the purpose of determining if such use, in any instance, is in violation of law or is aiding or abetting, directly or indirectly, a violation of law or is not in the public interest. Case No. 4930.

ORDER INSTITUTING INVESTIGATION

It having been represented to this Commission that the use being made by communications facilities and instrumentalities, in many instances, may be in

violation of law or such use may be aiding or abetting, directly or indirectly, a violation of law or is not in the public interest,

It is ordered that an investigation on the Commission's own motion be, and the same is hereby, instituted for the purpose of determining—

(a) If the use being made of communications facilities or instrumentalities, in any instance, is in violation of law or is aiding or abetting, directly or indirectly, a violation of law or is not in the public interest and, if such use be found to exist, what action this Commission should take to prohibit or abate such use; and

(b) What action should be taken by this Commission to cause communications facilities and instrumentalities, if found to be employed in the use described in item (a) above, to be utilized for the purpose of satisfying legitimate demand for communications services.

This proceeding is hereby assigned to Commissioner Huls, or such examiner as may be designated to take evidence on his behalf, and public hearings herein are hereby ordered to be held before such Commissioner or examiner on Wednesday, the 25th day of February 1948, at the Commission's courtroom, room 540, State Building, Civic Center, San Francisco, Calif., at the hour of 10 o'clock a. m. of said day and on Wednesday, the 18th of February 1948, at the Commission's courtroom, seventh floor, State Building, Los Angeles, Calif., at the hour of 10 o'clock a. m. of said day, at which times and places any interested party may appear personally or by counsel and offer any evidence, orally or in writing, pertinent to the subject matter of this investigation.

The communications utilities, named in exhibit A annexed to this order of investigation, are hereby made respondents to this proceeding and will be afforded the opportunity to appear at the hearings above scheduled and offer any evidence, orally or in writing, or make any representations pertinent to the subject matter of this investigation.

The secretary is hereby directed to cause a copy of this order of investigation to be mailed, at least ten (10) days prior to the first hearing date set herein, to the following:

1. Each of the communications utilities named in Exhibit A annexed to this order of investigation.
2. The Special Crime Study Commission on Organized Crime, Department of Corrections, of the State of California.
3. The attorney general of this State.
4. Each district attorney and each sheriff of each county and city and county of this State.
5. The chief of police of each of the principal cities of this State.
6. Such other parties as the Commissioner may designate.

Dated, San Francisco, Calif., this 17th day of December 1947.

HAROLD P. HULS,
JUSTUS F. CRAEMER,
IRA H. ROWELL,
R. E. MITTELSTAEDT,
Commissioners.

NOTE.—Exhibit A, listing the communications utilities, has been omitted herein.

Exhibit B

Decision No. 41415

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Investigation on the Commission's own motion into the use being made of communications facilities and instrumentalities for the purpose of determining if such use, in any instance, is in violation of law or is aiding or abetting, directly or indirectly, a violation of law or is not in the public interest. Case No. 4930.

F. V. Rhodes and Marshall K. Taylor, for California Independent Telephone Association; Marshall K. Taylor, for Associated Telephone Company, Limited, San Joaquin Associated Telephone Company, and Consolidated Telephone Company; Pillsbury, Madison & Sutro, by John A. Sutro and Francis N. Marshall, for Pacific Telephone and Telegraph Company; Pillsbury, Madison & Sutro, by Hugh Fullerton and Henry G. Hayes, for Western Union Telegraph Company, respondents. Fred N. Howser, Attorney General, for the State of California, John H.

Hanson, Chief Investigator of the Special Crime Study Commission on Organized Crime, for the State of California; Roger Arnebergh, for the City of Los Angeles; Warren Olney, for State Commission on Organized Crime; Everett C. McKeage and Roderick B. Cassidy of the Commission's Staff, appearing for the Public Utilities Commission.

OPINION

Public hearings in this matter were held, before Commissioner Huls and Examiner Syphers, on February 18 and 19, 1948, at Los Angeles, February 25 and 26, 1948, at San Francisco, and March 10, 1948, at Sacramento. On these dates evidence was adduced and on the last-named date the matter was submitted.

These hearings were initiated on the Commission's own motion after the Commission had informally considered the subject matter of the instant investigation and after the receipt of a letter,¹ dated December 12, 1947, from the Special Crime Study Commission on Organized Crime, alleging that organized bookmaking and the so-called "wire service" on which it depends are able to exist only because of their extensive use of the facilities of communications utilities.

The provisions of section 337a of the Penal Code denounce bookmaking as a public offense.

At the hearing, testimony was introduced by the Attorney General of the State of California which included information showing the number of arrests for bookmaking,² by counties, in the State, the number of telephones seized by police officers, the number of convictions for bookmaking, and various other information.³ These exhibits clearly indicate that there has been a large amount of bookmaking conducted in the State of California, particularly in the more populous counties such as Alameda, San Diego, San Francisco, and Los Angeles. Testimony was received from the sheriffs of Imperial, Los Angeles, and Alameda Counties, from the chiefs of police of the Cities of Long Beach, Los Angeles, Fresno, Merced, and Stockton, from the United States Attorney for the Southern District of California, and from the district attorneys of Los Angeles, San Diego, Stanislaus, Alameda, and Sacramento Counties, all of which testimony indicated that bookmaking is a major law enforcement problem. This testimony further indicated that bookmaking is a definite evil in that it promotes gangsterism, contributes to delinquency and nonsupport, and fosters, within the public itself, a disrespect for law enforcement. These officials were practically unanimous in stating that every effort should be made to stamp out bookmaking and they further stated that bookmakers were almost completely dependent upon the use of telephone and telegraph facilities. It was the conclusion of these law-enforcement officials that one of the most effective methods of controlling bookmaking would be to curtail, or prohibit completely, if possible, the use, by bookmakers, of telephone and telegraph facilities.

Other testimony was presented at the hearing indicating, in some detail, the methods used by bookmakers in carrying on their business. It was developed that, while there is legalized pari mutuel betting at the race tracks in California, the operators and proprietors of these licensed tracks are not favorable to illegal bookmaking operations. They take the view that off-track bookmakers constitute "parasites" and are undesirable. Accordingly, it is the general practice at race tracks in California to prohibit any activities which would further illegal bookmakings. To this end all of the public telephones at the race tracks are locked approximately a half hour before the starting time of each race. In addition, any special activity which has for its purpose the gathering and disseminating of racing information, other than that gathered and disseminated by the regular newsgathering agencies, is prohibited. Only the authorized press services and newspapers have access to the track press boxes. The so-called specialized racing information services are barred.

The testimony indicated that there has developed in the United States special racing news-gathering services. Among these are the Continental Press Service and the Pioneer News Service. According to the testimony, the Continental Press Service consists of a wire service which is leased from the Western Union

¹ Exhibit No. 2.

² As used in this report, bookmaking refers to any arrangements for the taking of off-track bets on horse racing.

³ Exhibit No. 3 showed this information as related to cases handled by district attorneys throughout the State; exhibit No. 4 showed the same information as to cases handled by sheriffs' offices; and exhibit No. 5 showed the same information as to cases handled by police departments.

and which has outlets at various cities throughout the United States; specifically, this press service has the following drops in California:

Name of subscriber	Address	Date service started
Tejon News.....	1911 Edison Highway, Bakersfield.....	May 12, 1945
Consolidated Publishing Co.....	615 North La Brea Ave., Los Angeles.....	Do.
Los Angeles Journalist.....	208 West 8th St., Los Angeles.....	Do.
George Zouganiles.....	181 Andreas Rd., Palm Springs.....	Sept. 3, 1946
Arrowhead News.....	362 D St., San Bernardino.....	Aug. 12, 1946
Colton News.....	211 Platt St., San Bernardino.....	Do.
Southwest News.....	919 4th Ave., San Diego.....	Nov. 5, 1945
Krelling & Cohen.....	333 Montgomery St., San Francisco.....	May 12, 1945

This press service is a Morse wire and the drops consist of both sending and receiving telegraph sets.

The Pioneer News, having headquarters at 333 Montgomery Street, San Francisco, Calif., is a service consisting of a wire leased from Western Union, over which is operated teleprinter or ticker sets. These teleprinters are the same instruments as are used in reporting stock-market news and are located at various drops in California; specifically, these locations are:

Name	Address	Date service started	Date temporarily disconnected
Roy Simon.....	1910 Tuolumne St., Fresno.....	June 22, 1946	Feb. 19, 1948
J. Bozeman.....	326 Virginia St., Vallejo.....	May 25, 1946	Jan. 29, 1948
W. Musso.....	215 Georgia St., Vallejo.....	do	Do.
J. Farrell.....	216 Georgia St., Vallejo.....	do	Jan. 23, 1948
Mint Smoke Shop.....	237 Georgia St., Vallejo.....	Aug. 14, 1947	Jan. 29, 1948
Del Kennedy.....	1160 Old Country Rd., Belmont.....	Oct. 8, 1945	Feb. 19, 1948
M. Magee.....	1617 Old Country Rd., Belmont.....	July 19, 1947	Do.
C. Atkin.....	145 Montgomery St., San Francisco.....	Oct. 8, 1945	Do.
Pioneer News.....	127 Montgomery St., San Francisco.....	Jan. 30, 1946	Do.
F. Masonie.....	145 Mason St., San Francisco.....	Mar. 4, 1946	Do.
101 Service Station.....	Bayshore Highway, Bayshore.....	Jan. 31, 1947	Apr. 16, 1947
Andy's Service.....	2637 Bayshore Highway, Bayshore.....	Aug. 16, 1947	Jan. 30, 1948
Geneva Club.....	3201 Geneva Ave., Bayshore.....	Nov. 17, 1947	Feb. 19, 1948

It will be noted from an analysis of the above table that most of the drops of the Pioneer News Service were temporarily disconnected after the commencement of these hearings on February 18, 1948.

While the technical equipment of these two wire services, the Continental Press and the Pioneer News, are different in that one uses telegraph keys and the other uses teleprinters, still, in other respects, the basic method of operation is similar. Information as to this method of operation was produced at the hearing. Since the Continental Press and the Pioneer News are among those services which are barred from the race tracks, they use various unorthodox methods to obtain information. The most common of these methods, according to the testimony, is to use "signalers" or "wigwaggers," individuals who attend the races at the track and, by a system of signals, relay information to confederates outside who, in turn, send the information to the wire services.

Exhibits Nos. 33 to 37, introduced in evidence, consist of photographs showing a phone installation and a telescope in a house within view of the Santa Anita Race Track. The equipment shown in the photographs was used by one Ed Coplansky who, apparently, employed a telescope to observe signals from wigwaggers within the track. The information so obtained was telephoned to a drop of one of the wire services. The phone used by Coplansky was one which illegally had been tapped into the phone line of the owner of a nearby house.

The apparent reason these specialized wire services go to such extreme to obtain information is that special information is needed by their clients in order to conduct successful bookmaking activities. According to the testimony the information sent out over the regular news services and published in the regular newspapers, and even the detailed description of the running of races given over the radio, do not supply sufficient details to permit successful bookmaking. A bookmaker needs the following information: (1) Direct race odds and fluctuations in these odds; (2) the post time; (3) the exact off time

within a matter of seconds; (4) a brief description of the race; (5) results of the race; (6) prices paid. In addition, a bookmaker needs information as to last-minute jockey changes and track conditions. These details are only furnished by the special racing wire service agencies.

As previously indicated, this detailed information is obtained at the track by one device or another, then it is phoned to one of the offices of the wire service. At this office the information is placed on the wire and is immediately relayed to all of the drops of that particular wire service. Testimony was presented showing the operation of these drops. As soon as racing information is received it is called over a loud-speaker system. In front of the loud speaker are various phones, with the receivers off the hook, and, apparently, at the other end of these phones, bookmakers are listening for the information. Thus, in a matter of seconds, it is possible to get the information from the track to the bookmakers.

Testimony was presented by various police officers and sheriff's office employees as to visits they had made to these various wire-service drops. In each of these places, according to the testimony, there are multiple-phone installations. Instances were reported of as many as 26 phones in one room and other testimony presented by the telephone company showed the subscribers to these various phones. Photostatic copies of the telephone cards listing the names of these subscribers were received in evidence as exhibits Nos. 38 to 79, inclusive, and 80 to 92, inclusive. A general examination of these cards discloses that, while there were several phones in one place, most of them were listed under various fictitious names, including such terms as secretarial services, process service, research companies, printing companies, welding works, and also the names of various individuals.

Apparently, multiple-phone installations are a necessary part of the equipment used in disseminating racing information to bookmakers. Testimony was presented indicating that, in some cases, these multiple-phone installations result from unauthorized extensions of existing facilities, while in other cases they are made by the telephone companies.

Exhibits Nos. 16 to 27, inclusive, consist of photographs taken by a sergeant of the Los Angeles Police Department, showing the facilities at some of the wire-service drops in Los Angeles. In each of these instances equipment consists of an instrument for receiving information over the telegraph wire and several phones for relaying this information to outside subscribers. These outside subscribers pay for this service at rates varying from \$4 per month to \$339.24 per month. There is set out below the rates paid by the eight subscribers to the Continental Press Service previously listed:

Subscriber:	Monthly charge
Tejon News.....	\$144.40
Consolidated Publishing Co.....	63.00
Los Angeles Journalist.....	4.00
George Zouganiles.....	72.27
Arrowhead News.....	65.93
Colton News.....	4.00
Southwest News.....	197.67
Krelling & Cohen.....	339.24

Additional testimony was presented by police officers as to raids they had made on various locations within the State of California. At some of these locations, including drops on the previously mentioned wire services, it was found that bookmaking was being carried on.

Testimony was received from representatives of the Western Union, setting out the manner in which these wire services are furnished. Arrangements for the Morse wire used by Continental Press were made in Cleveland, Ohio, and the charges for that lease are paid at Cleveland. The Pioneer News lease, which started October 8, 1945, was arranged for by Stanley Cohen, and, apparently, the main office of Pioneer News is 333 Montgomery Street, San Francisco, Calif.

Respondent utilities in this case, so far as they were present at the hearing, indicated that their companies had no desire to furnish service for illegal uses and, almost unanimously, they indicated willingness to remove or refuse service whenever a bona fide law-enforcement agency instructed them to do so. However, they further contended that they were not policemen and it was without the scope of their authority to attempt to specifically police their subscribers in an effort to determine whether or not the facilities were being used for illegal purposes.

Another problem concerns the question as to whether or not a utility may be held liable for damages in an action brought by a subscriber to or applicant for service in those cases where the utility has discontinued or refused to extend service to such subscriber or applicant and, in this connection, it is the position of the utilities that they should not be subjected to any rule which would force upon them such actions for damages. We are well aware of the position of the utilities in this matter. However, it is our view, in the light of the evidence adduced in this matter, that certain lawful steps can be taken by the utilities which will curtail the use of their facilities by bookmakers.

From the foregoing evidence, we find that bookmaking is being conducted throughout the State of California on a large scale and, in order to conduct successful bookmaking, the operators thereof must have information in excess of that which can be obtained through regular news and radio channels. Accordingly, there has grown up a specialized wire service which has for its principal purpose the dissemination of detailed racing information within a matter of minutes after the occurrence of the actual events. This information includes details of the track conditions, betting odds, jockey changes, and other facts occurring immediately prior to the running of the race, a description of the running of the race, and the results thereof. These wire services sell this information to bookmakers, who, in turn, use it in conducting their business. We also find that successful bookmaking cannot be conducted without access to these wire services or without access to telephone facilities.

We further find that it is in the public interest to require communications utilities to refrain from furnishing or continuing to furnish any telephone or telegraph service that will be or is being used in furthering bookmaking or related illegal activities. The use of communications facilities in furtherance of bookmaking being illegal, it follows that such use is contrary and detrimental to the public interest. Additionally, the evidence shows that, as of January 31, 1948, there were held by the 15 largest telephone companies operating in this State 241,248 applications for telephone service that could not be filled because of lack of instruments, facilities, and materials. This situation makes it imperative that all communications instrumentalities and facilities be employed in the public interest.

The right of a person to utility services, such as telephone and telegraph, is not an inherent right but is due solely to the fact that the State, in the exercise of its police power, has seen fit, under the provisions of the Public Utilities Act, to require the utility to serve the public without undue or unreasonable discrimination. It, therefore, must be concluded that the State, having the authority to compel a utility to render service, has the authority to impose conditions under which such service may be furnished or terminated. (See *Partnory v. Southwestern Bell Telephone Co.*, Missouri Public Service Commission, June 13, 1947, 70 P. U. R. (N. S.) 134.) It is established by statute in this State that a telephone or telegraph company is not required to accept messages, which will "instigate or encourage the perpetration of any unlawful act * * * " (sec. 638, Penal Code).

It is the positive duty of a communications utility to exercise vigilance to prevent the unlawful use of its instrumentalities and facilities. Such utility exercises a valuable and extraordinary privilege and, in turn, incurs corresponding obligations to the public. Surely, one of its highest obligations is to exercise vigilance to see that its instrumentalities and facilities are not used in aiding and abetting the commission of crime. We are not so naive as to believe that the operators of wire services, as discussed in this decision, can conduct their business of disseminating racing information without general knowledge as to the activities of their customers. The evidence in this case shows that some of these users of these wire services are engaged in bookmaking. The evidence further discloses instances of multiple telephone installations, which installations are aiding the activities of bookmakers. Therefore, we believe that any such installations should be scrutinized very carefully by the utilities furnishing the services and that additional installations should not be made without careful inquiry as to the nature of their use.

It is the conclusion of this Commission that communications instrumentalities and facilities should not be furnished to persons, who will use them for bookmaking or related illegal purposes; nor should they be furnished where there is strong evidence to indicate that the use will be for such illegal purposes. Neither should the furnishing of such instrumentalities and facilities be continued where reasonable cause exists for believing that such facilities are being

so used. There is a duty resting upon communications utilities to refuse installations or to discontinue service when these conditions exist. There is a further duty on the utility to make reasonable inquiry as to the use of facilities and, in particular, this is true where the facilities are being installed in unusual circumstances.

ORDER

The above-entitled case having been instituted on the Commission's own motion, public hearings having been held therein, said case now being ready for decision, the Commission being fully advised in the premises and basing its decision upon the evidence of record in this case and upon the findings of fact contained in the foregoing opinion,

It is hereby ordered, That any communications utility operating under the jurisdiction of this Commission must refuse to establish service for any applicant, and it must discontinue and disconnect service to a subscriber, whenever it has reasonable cause to believe that the use made or to be made of the service, or the furnishing of service to the premises of the applicant or subscriber, is prohibited under any law, ordinance, regulation, or other legal requirement, or is being or is to be used as an instrumentality, directly or indirectly, to violate or to aid and abet the violation of the law. A written notice to such utility from any official charged with the enforcement of the law stating that such service is being used or will be used as an instrumentality to violate or to aid and abet the violation of the law is sufficient to constitute such reasonable cause.

It is further ordered, That any person aggrieved by any action taken or threatened to be taken pursuant to the provisions of this decision shall have the right to file a complaint with this Commission in accordance with law. This remedy shall be exclusive. Except as specifically provided herein, no action at law or in equity shall accrue against any communications utility because, or as a result of, any matter or thing done or threatened to be done pursuant to the provisions of this decision.

It is further ordered, That each contract for communications service, by operation of law, shall be deemed to contain the provisions of this decision, whether or not the same be actually included as a part of the application for such service, and the provisions of said decision shall be deemed in law to be a part of any application for communications service and the applicant for such service shall be deemed to have consented to the provisions of said decision as a consideration for the furnishing of such service.

The term "person," as used in this decision, shall include a subscriber to communications service, an applicant for such service, a corporation, a company, a copartnership, an association, a political subdivision, a public officer, a governmental agency, and an individual.

The term "communications utility," as used in this decision, includes a "telephone corporation" and a "telegraph corporation," as those terms are defined in the Public Utilities Act.

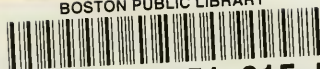
The secretary is hereby directed to serve, by registered mail, a certified copy of this decision upon each communications utility operating under the jurisdiction of this Commission and upon each appearance of record herein.

This decision shall become effective after the expiration of twenty days from and after the date hereof.

Dated at San Francisco, Calif., this 6th day of April 1948.

R. E. MITTELSTAEDT,
JUSTUS F. CRAEMER,
IRA H. ROWELL,
HAROLD P. HULS,
KENNETH POTTER,
Commissioners.

BOSTON PUBLIC LIBRARY



3 9999 06351 615 5

Boston Public Library
Central Library, Copley Square

Division of
Reference and Research Services

The Date Due Card in the pocket indicates the date on or before which this book should be returned to the Library.

Please do not remove cards from this pocket.

APR 9 1956

